



Annual Report and Financial Statements 2021

Company Number: 05239285



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Ascent Resources plc

("Ascent" or the "Company")

Ascent Resources Plc is a London Stock Exchange AIM listed energy and natural resources operating company focused on onshore gas production and ESG Metals across Hispanic Americas, Europe and the Caribbean.

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Chairman's Statement

Following the completion of the "no win–no fee" style funding agreement for our international arbitration proceedings against the Republic of Slovenia, the Company is now positioned with upside exposure from a monetary damages claim significantly in excess of €100 million. These arbitration proceedings alone, we believe, already make Ascent Resources plc a unique and compelling proposition for shareholders.

The Company is also pursuing an industrial growth strategy across both onshore gas and ESG Metals where it has, for some time now, been preparing for its maiden transaction with a near term focus on Peru. Underpinning its growth strategy is its gas production at the Petišovci project in Slovenia, which continues and is of course buoyed by the strong European gas market backdrop.

Our vision remains, by the end of 2022, to have finalised this transformation of Ascent such that the Company has both sustainable cash flow generation from its operations and compelling upside exposure from a funded claim, all supported by an "on the money" ESG compatible strategy in an exciting, growth focused, part of the world.

We thank our shareholders for their support and look forward to achieving success together.

Chief Executive Officers' Statement

Legacy Slovenian Asset

2021 remained a challenging year for the Petišovci tight gas project in Slovenia, with ongoing disputes between the Company and its joint venture ("JV") partner Geoenrgo as well as the JV's service provider Petrol Geo resulting in a continuing commercial stalemate and as such the Company has not recognised any revenue for the year. In March 2022, the Company announced that it had now elected to invoice for its share of production revenues for the months of April 2020 through to February 2022. Regional gas prices experienced an increase of nearly 500%, having started in January 2021 with an average monthly gas price of €18.75 / MWh and ending the year in December 2021 with an average monthly price of €112.11 / MWh. Production at PG-10 continued to produce a consistent volume of gas whilst a pressure anomaly was observed at PG-11A, leading to the well being put back into production with initial flow rates of circa 20,000 standard cubic metres ("scm") /day allowing production to be exported via the pipeline to INA in Croatia. However, production thereafter declined, as anticipated, and PG-11A is currently producing sporadic gas along with PG-10 which is sold locally to industrial buyers. Total production from the PG-10 and PG-11A wells in 2021 was 1.53 million scm of gas and 52,196 litres of condensate with the majority of the annual production being sold to local buyers.

The year started with the Company continuing to remain engaged in direct negotiations with the State Attorney's Office of the Republic of Slovenia in relation to pre-arbitration settlement discussions, following the Company having received a response in Q4 2020 to its Notice of Dispute to the Republic of Slovenia dated 23 July 2020. The Company entered into these discussions in good faith with a view to potentially settling the Company's claim in an amicable manner in the short term. In February 2021, the Company announced that the Republic of Slovenia had notified the Company that it shall be in a position to respond formally to the proposed settlement terms by the 19 March 2021 and Slovenia accordingly requested that the Company did not initiate any arbitration proceedings before such date to which the Company agreed. On 19 March 2021, the Company announced receipt of a further letter from the Republic of Slovenia claiming that an amicable settlement was not achievable.

On 8 November 2021, the Company announced the signature a binding damages-based agreement with Enyo Law LLP, a specialist arbitration and litigation legal firm who had previously filed the Notice of Dispute and represented the Company in the pre-arbitration negotiations, to commence proceedings against the Republic of Slovenia under the Energy Charter Treaty and the UK-Slovenia Bilateral Investment Treaty. In May 2022 the 'no win–no fee' style arrangement completed

and allows the Company to securely initiate arbitration proceedings against the Republic of Slovenia under the ECT and BIT. Enyo are funding the payment of advanced disbursements which are expected to be incurred in the pursuit of the claim, and these disbursements along with the time of Enyo's lawyers will only be paid out of the proceeds of the arbitration in the event of a successful damages award or execution of a binding settlement agreement (if achieved sooner).

As referenced in the first paragraph, commercial disputes between the Company and its JV partner Geoenergo and JV service provider Petrol Geo continued throughout the year. The Company has rejected all invoices received by Petrol Geo on the basis of a fundamental change in circumstances, with the project now only producing a fraction of the production volumes it expected to be producing when it signed the relevant contracts back in 2013, amongst a number of other matters that Ascent has highlighted to its counterparties and which remain under discussion, including the Company's Gas Sale revenues entitlement under the joint operating agreement. In October 2021 the Company announced that following a recent stakeholder engagement process in Slovenia and a productive Operating Committee Meeting between the partners, that the JV was aligned on key future workstreams relating to the long-term concession renewal, environmental impact assessment and permitting. The Company also announced that it was in constructive dialogue with its JV partners regarding resolution of all disputed legacy matters and the restructuring of certain production costs.

During the year the concession holder, Geoenergo, filed the requested documents ahead of the deadline to be granted an automatic 18-month concession extension pursuant to Article 11 of the Act on Intervention Measures implemented in Slovenia to assist the economy in mitigating the consequences of the COVID-19 pandemic. Accordingly, the concession expiry date will now be 25 November 2023. Post period in review, the Company announced in March 2022 that it had now elected to invoice for its share of production revenues for the months of April 2020 through to February 2022. The Company remains hopeful that working with its partners they can agree terms to resolve the historic disputes and allow all the parties to begin to recognise monthly cash revenue streams from the remaining production.

Post period under review, in April 2022 the Republic of Slovenia approved amendments to its Mining Law which now include a total ban on exploring and/or producing hydrocarbons with the use of any form of mechanical stimulation, furthermore the Company understands it is now no longer possible to have a mining concession approved if stimulation is included in the extraction plan. Accordingly, the Company does not expect to complete the workstreams relating to the EIA and re-stimulation of the PG-10 and PG-11A wells, given that the Company has subsequently been deprived of its reasonable expectation to continue the historic practice of undertaking low volume mechanical stimulation to produce the tight rock gas reservoir, as has been done over thirty times in the last fifty years. In light of these legislative changes, which the Company believes are specifically targeted to preclude Ascent's investment in Slovenia from succeeding and amount to a form of expropriation, the Company notified the Republic of Slovenia of a second notice of dispute on 5 May 2022 and that such latest actions constitute a loss of the full investment value. The Company is currently reviewing future field development plans that do not involve any form of stimulation, such that a concession renewal may be possible before or on the extended expiry date.

New Environment, Social & Governance ('ESG') Metals Strategy & Peru Market Entry

In February 2021 the Company announced, following a period of reviewing different special situations, that it was now focusing its strategy to include ESG Metals as a new target sector within its resource focused business.

ESG Metals includes secondary mining and recovery opportunities typically involving the reclassification, through highly efficient recovery techniques, of stockpiled surface mining waste (often previously viewed as a liability for mining companies) as a valuable asset for reprocessing and commercial sale to industry, governments and metals traders. The Company sees waste management, remediation and restoration of land impacted by historic and on-going mining activities as a critical element in the global ESG agenda and integral to the transition to a low carbon economy. The Company is looking at a number of potential projects in Hispanic America and South Africa as well as Europe. In particular, the Company believes that there are good opportunities in gold, silver, platinum, base metals and ferrochrome, where the economics are especially attractive and the opportunity set has the ability to deliver lowest cost quartile sustainable metal production from legacy mining tailings, with low geological risk. Such opportunities have the potential to provide strong cash returns without exploration risk and only require modest upfront capital outlay.

Post the period under review the Company updated investors on its ESG Metals Strategy, confirming that whilst the Company continues to evaluate a number of ESG Metal transactions across Latin and Hispanic America, it has now identified Peru as its primary target geography. Peru is widely recognised as one of the largest and most diversified mineral producers with some of the most extensive reserves in the world with mining the most important sector in the Peruvian economy (some 10% of national GDP). Peru is currently the world's second largest Copper and Silver producer and Latin America's largest Gold, Zinc, Tin and Lead producer. Peru's Long-Term Credit Rating is rated as BBB by most agencies, which is amongst the strongest in the region. The country also benefits from a long history of mining, a robust mining legal framework and a significant pool of local expertise. Most recently, the Country enacted a new law that extends the process of formalisation of artisanal miners to 31 December 2024 alongside a law that establishes a national policy for small-scale and artisanal mining.

The Company sees significant opportunity for attractive entry points in mining following the global pandemic which has triggered international capital flight and significant capital constraints for small-scale miners. The Company therefore initially expects to focus its attention on small-scale operations (up to 350 tpd), which the Company considers affordable, of an efficient operational scale and which have multiple local operating and permitting benefits.

To accelerate the Company's entry into Peru, the Company also announced in February 2022 the signature of a new joint venture agreement with Blanco Safi SAC ("Blanco"), based in Lima. Blanco was founded in 2010 and is a Peruvian registered professional investment manager which arranges and invests discretionary funds and third-party investment monies in a variety of Peruvian businesses, where it currently manages over \$150 million in assets, including specifically a number of direct investments in Peru's small-scale mining sector. The Blanco team has over 50 years' combined experience in the banking, finance, mine and resource sectors and is present across offices in five regions throughout Peru, consequently Blanco have access to a number of high-quality precious metal small-scale mineral processing operations throughout Peru.

The joint venture will focus its attention initially on the identification, screening and then subsequent negotiation and potential acquisition of small-scale yet sustainable ESG metals processing businesses in Peru, ideally adjacent to surface stockpiled materials for processing. Blanco and the Company already have a number of attractive prospective leads, as well as an active network in the small and medium scale miner sector of Peru.

Cuba MOU

The Company maintained its MOU giving it exclusive rights to negotiate the production sharing contracts over onshore blocks 9a, 9b, 12 and 15 throughout the year, with extensions being required due to inability to travel to Cuba during the COVID-19 pandemic which remained throughout the majority of the year. Consequently, the Company successfully attained extensions in both April and then again in November, with exclusivity on the blocks lapsing on 31 December and the memorandum of understanding ("MOU") remaining on a non-exclusive basis through to end of April 2022. Although Cuba will remain on the Company's watchlist and CUPET have offered an extension, the Company has elected not to sign a further extension to the non-exclusive MOU, primarily driven by the exciting opportunities it has originated in Peru and the lack of softening of US Sanctions in recent years.

Funding

The Board have continued to manage costs and relationships with JV parties while its legacy disputes continue to be resolved, managing various historical outstanding balances and raising additional funds to enable the pursuit of the Company's damages claim against Slovenia and for the new ESG Metals initiative to be instigated. The Company remains positioned as a clean vehicle with a strong Board, access to capital and a clear growth trajectory.

In December 2020, the Company announced it had signed a new £500,000 unsecured loan facility with warrants attached exercisable at 7.5 pence per new warrant share, representing a 41.5% premium to the prevailing share price at the time. This transaction was a structure designed to mitigate dilution with an equity component at higher prices, these equity warrants were mostly exercised throughout the year which resulted in the Company repaying £175,000 of drawn-down debt to Align Research Ltd ("Align") as well as receiving a further £75,000 in cash warrant exercises throughout the year and extinguishing any monies owed to Align, with the balance of £250,000 under the December facility remaining owed to Riverfort Global Opportunities ("Riverfort") (the other lender in that transaction).

In February 2021, alongside and in support of the Company's new ESG Metals strategy, the Company successfully raised £1 million at an issue price of 10.1 pence per new placing share, representing a 12.5% discount to the closing bid price from the day before, by way of oversubscribed subscription and placing of new shares to institutional investors and existing shareholders.

In December 2021 the Company successfully announced the restructuring of its two debts to Riverfort, with the legacy debt of £275,000 (pursuant to a financial transaction agreed in 2019 and restructured in 2020) would be extended out in Maturity from the initial maturity date of 14 February 2022 to the date falling on 14 February 2023, following which the Company is expected to pay Riverfort a cash monthly sum of £45,003 over the next six months such that the debt is repaid fully in cash by 14 July 2023. The Company also agreed with Riverfort to amend the maturity date of the £250,000 loan outstanding under the December 2020 funding such that it is now repayable on the 31 December 2022. As part of the loan maturity extension agreements, the Company issued Riverfort with 3,600,000 new warrants with an initial exercise price of 7.5 pence per new warrant share.

In January 2022 the Company successfully raised a further £600,000 by the issue of new equity shares at an issue price of 3.3 pence per new ordinary share, representing a nil discount to the closing bid price from the day before, with warrants attached at 5 pence per new warrant share. The Company also agreed with the holders of the remaining 4p new equity warrants issued in August 2020 to the accelerated exercise of the remaining warrants for a cash exercise consideration of £242,500 in exchange for being issued 1.5 new warrants for each August 2020 Warrant exercised with the new warrants being exercisable at 5 pence per new warrant share at any time over the next three years.

COVID-19

COVID-19 has had relatively limited direct impact on Ascent's assets in Slovenia, save as potentially being a catalyst to the increasing gas price environment thought the second half of the year as well as providing for receipt of an 18-month automatic concession extension pursuant to Slovenia COVID-19 disruption legislation, as announced by the Company post period in review.

COVID-19 has however impacted the Company's ability to travel through the majority of the year, which in turn has a consequence on ability to execute on certain business development activities. Finally, COVID-19 has had an impact on the Company's ability to execute on its MOU over Cuban onshore blocks 9A, 9B, 12 and 15. Production operations in Slovenia have been unaffected to date, with the assets being managed through a combination of on-site working within social distancing guidelines or remote oversight, with all appropriate safety procedures remaining in place to protect staff and local communities, although the risk of future disruption remains.

Summary

Set against the backdrop of improving commodity prices the Company has made progress with JV partner dialogues in relation to historical disputes and the completion (post period in review) of the 'no win - no fee' arrangement to fund the Company's significant monetary damages claim under the ECT and BIT against the Republic of Slovenia, this allows the Company to widen its reach away from the dependency on a single asset as the Company evolves to focus on the Latin and Hispanic Americas and executing on its new ESG Metals growth initiative along with onshore gas development opportunities. As a Board we remain resolved to protect the Company's investment in Slovenia whilst we expand our international footprint and diverse our commodity exposure.

Andrew Dennan
Chief Executive Officer

James Parsons
Executive Chairman

30 June 2022

Strategic Report

Strategic Report

Section 414C of the Companies Act 2006 ("the Act") requires that the Company inform its members as to how the Directors have performed their duty to promote the success of the Company by way of a Strategic Report which includes a fair review of the business, an analysis of the development and performance of the business and analysis of financial position and key performance indicators.

We have incorporated these requirements into the information set out below.

Company Overview

Ascent Resources plc is a natural resources operating company that was admitted to trading on AIM in November 2004 (AIM: AST). Ascent has been involved in Slovenia for just over 12 years where it operates the Petišovci gas project. To date, the Company's operating subsidiary has invested over €50 million in this project. This asset, despite significant legal and permitting complexity, has significant oil and gas reserves and resources and an established, local production infrastructure with connections to local and export customers.

During 2017, the Company brought the PG-10 and PG-11A wells, which were drilled in the Petišovci field in 2011, into production and started exporting production via high pressure pipeline to INA in Croatia. In 2019 sales of gas to INA stopped as a result of wellhead pressure falling below the pipeline pressure. The PG-10 well continued to produce gas for the local industrial buyers whereas PG-11A remained on suspended production throughout the year due to uneconomic gas rates which remained the position until February 2021 when a gas anomaly was observed and the well was put into production, initially with flow rates of circa 20,000 scm/day which was exported via the pipeline to INA in Croatia. The PG-11A gas rates declined quickly and it has since been producing sporadically with the production being sold, alongside the production from PG-10, to local industrial buyers.

The Company also has a significant damages claim against the Republic of Slovenia which concerns itself with certain actions by Slovenia in breach of its obligations under the UK-Slovenia bilateral investment treaty and the Energy Charter Treaty to guarantee that Ascent's investment would be accorded fair and equitable treatment as well as breaches of Slovenia's guarantee that the management, maintenance, use, enjoyment or disposal of the investments would not be impaired by arbitrary, unreasonable or discriminatory measures. The Company announced, during the period under review, that it had signed a binding damages-based agreement to appoint Enyo Law LLP, a specialist arbitration and litigation lawyer, to pursue the Company's international arbitration claim against the Republic of Slovenia.

Post the period under review, Slovenia approved amendments to its Mining Law which prohibit the use of mechanical stimulation for the purpose of exploring or producing hydrocarbons. Furthermore, the amendments confirm that it is now no longer possible to get a concession contract approved if it contemplates the use of mechanical stimulation for the purpose of producing hydrocarbons. Consequently, the Company does now not expect to complete certain workstreams relating to the permits and applications to re-stimulate the PG-10 and PG-11A wells. The Company is now reviewing future field development opportunities in light of this political development and is reviewing all previously envisaged workstreams including the EIA permitting and concession extension processes. The Company initially assessed that these actions are targeted specifically at the Company as a foreign investor and constitute a loss of the full investment value of the Company's Slovenian investment given that it has always expected to be able to continue the historic practise of conducting low volume mechanical stimulation techniques in order to flow the tight gas reservoir. This development is a further breach by the Republic of Slovenia of its obligations under the Energy Charter Treaty and UK-Slovenia Bilateral Investment Treaty.

During this reporting period, following an expanded international strategic special situations review, the Company has launched a new growth strategy focused on ESG Metals in Latin and Hispanic Americas to complement its focus on onshore gas development projects. ESG Metals includes secondary mining and recovery opportunities typically involving the reclassification, through highly efficient recovery techniques, of stockpiled surface mining waste (often previously viewed as a liability for mining companies) as a valuable asset for reprocessing and commercial sale to industry, governments and metals traders. The Company sees waste management, remediation and restoration of land impacted by historic and on-going mining activities as a critical element in the global ESG agenda and integral to the transition to a low carbon economy. The Company is looking at a number of potential projects in Hispanic America and South Africa as well as Europe. In particular, the Company believes that there are good opportunities in gold, silver, platinum, base metals and ferrochrome, where the economics are especially attractive and the opportunity set has the ability to deliver lowest cost quartile sustainable metal production from legacy mining tailings, with low geological risk. Such opportunities have the potential to provide

strong cash returns without exploration risk and only require modest upfront capital outlay.

Asset Overview

Slovenia - Petišovci Tight Gas Project

The Petišovci gas project is in an area that has been exploited since 1943. The project targets the significant deeper gas reserves and resources in the Middle Miocene Badenian or Petišovci-globoki ("Pg") gas reservoirs.

Using the results of an extensive 3D seismic survey conducted in 2009 by Ascent and its partners, the locations of two new wells were determined. These wells, Pg-10 and Pg-11A were successfully drilled, completed and stimulated between 2010 and 2012. During 2017 the Company brought both of these wells into production and started exporting gas from Petišovci to INA in Croatia.

Cumulative gas production from the Pg gas field since 1963, including fuel and flare use and accounting for the gas equivalent of the historical condensate production, is 12.7 Bcfe (360.1 MMsm³). This is 3% of the currently estimated gas initially in place ("GIIP") of 430 Bcfe, (12.2 Bsm³), based on independent third-party estimates.

Further details of the asset and current reserves and resources can be found on page 15.

Ascent manages the Petišovci project on behalf of the Joint Venture between Ascent Slovenia Limited and Geoenergo. Ascent has a 75% working interest in the project and carries 100% of the costs. Until Ascent has recovered its costs in full it will receive a preferential recovery share of 90% of the net revenues from hydrocarbons produced.

Our Strategy

Historically the Company has focussed all of its resources on its Slovenian project, directing available funding towards bringing Petišovci into production.

The commencement of production during 2017 was a significant milestone, however the development of the project stalled during 2018 due to the delays and arbitrary decision making involved in the Slovenian environmental permitting process. The appointment of a new government and the award of the IPPC permit in April 2019 gave some optimism, which was removed in June 2020 with the Administrative Court of Slovenia upholding the environmental agency ARSO's delayed view that an EIA would be required in order to re-stimulate the wells.

Post period end, the Republic of Slovenia approved amendments to its Mining Law which prohibit the use of mechanical stimulation for the purpose of exploring or producing hydrocarbons. Furthermore, the amendments confirm that it is now no longer possible to get a concession contract approved if it contemplates the use of mechanical stimulation for the purpose of producing hydrocarbons. Consequently, the Company does now not expect to complete certain workstreams relating to the permits and applications to re-stimulate the PG-10 and PG-11A wells. The Company is now reviewing future field development opportunities in light of this political development and is reviewing all previously envisaged workstreams including the EIA permitting and concession extension processes. The Company initially assess that these actions are targeted specifically at the Company as a foreign investor and constitute a loss of the full investment value of the Company's Slovenian investment given that it has always expected to be able to continue the historic practise of conducting low volume mechanical stimulation techniques in order to flow the tight gas reservoir. This development is a further breach by the Republic of Slovenia of its obligations under the Energy Charter Treaty and UK-Slovenia Bilateral Investment Treaty.

The Company has announced that it has signed a binding damages-based agreement to appoint Enyo Law LLP to represent the Company in its damages claim against the Republic of Slovenia. This funding arrangement completed in May 2022 and allows the Company to securely initiate arbitration proceedings against the Republic of Slovenia under the ECT and BIT. The Company and its legal advisors are moving without delay to serve the request for arbitration papers and initiate proceedings to seek its redress for the significant monetary damages suffered as a result of Slovenia's arbitrary decision making and breaches of guarantees afforded to Ascent under the Energy Charter Treaty and UK-Slovenia Bilateral Investment Treaty as soon as the cooling off period expires in Q3 2022. Further to the 2022 amendments to the mining law coming into force, the Company believes it has suffered a loss of its full investment value and consequently the Company and Enyo expect the damages claim to have significantly increased in quantum.

Following an international special situations strategic review through 2020, early in 2021 the Company launched an international growth strategy focused on ESG Metals in Latin and Hispanic Americas to complement its focus on onshore gas development projects. ESG Metals includes secondary mining and recovery opportunities which the Company sees as being consistent with Environmental, Social and Governance ("ESG") principles. Typically, these involve the reclassification, through highly efficient recovery techniques, of stockpiled surface mining waste (previously viewed as a liability for mining companies) as a valuable asset for reprocessing and commercial sale to industry, governments and metals traders and/or getting exposure to mineral processing plants that enfranchise local mining communities.

The Board recognises the attractiveness of the European region for oil and gas development and many countries outside of Slovenia have well organised regulatory frameworks and a history of oil and gas development. The Company has identified the Caribbean, Latin and Hispanic America region as highly prospective for oil and gas as well as ESG Metals deals, even when taking into consideration current volatile commodity markets. Peru is a country with a long history in mining and natural resources. It is one of Latin America's most major producers of precious and base metals. Peru's Long-Term Credit Rating is rated as BBB by most agencies, which is amongst the strongest in the Latin America region. The country also benefits from a long history of mining, a robust mining legal framework and a significant pool of local expertise. Most recently, the Country enacted a new law that extends the process of formalisation of artisanal miners to 31 December 2024 alongside a law that establishes a national policy for small-scale and artisanal mining.

Our Markets

Dependency on imported gas is very high throughout the EU, particularly in Slovenia. This, and the history of relatively stable gas prices in Europe, has underpinned our historic strategy of exploration, development and production in this region. Our wells are connected to existing processing facilities, intra-field and international pipelines, ensuring low-cost connection and easy access to the market.

The Joint Venture will focus its attention initially on the identification, screening and then subsequent negotiation and potential acquisition of small-scale yet sustainable ESG metals processing businesses in Peru, ideally adjacent to surface stockpiled materials for processing. Blanco and the Company already have a number of attractive prospective leads, as well as an active network in the small and medium scale miner sector of Peru.

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Post this period in review, the Company further updated its ESG Metals strategy to focus initially on Peru. Peru is widely recognised as one of the largest and most diversified mineral producers with some of the most extensive reserves in the world with mining the most important sector in the Peruvian economy (some 10% of national GDP). Peru is currently the Company believe are affordable for its future international expansion purposes.

and/or processing operations that can achieve short term inflection points with the receipt of sums of capital that the the form of a royalty stream. This strategy is focused on aligning the Company with existing in-country mineral mining and sustainable income streams, either in the form of profit participation interests or straight off the project's top-line in and focusing its efforts on transactions that can provide the Company with a short term pathway to receiving new, long term This strategy is set to see the Company diversify and evolve into a portfolio of assets. Thematically the Company remains focused on getting exposure to a hard commodity price deck, migrating away from taking sub-surface and geological risk modest upfront capital outlay.

The Company sees waste management, remediation and restoration of land impacted by historic and ongoing mining activities as a critical element in the global ESG agenda and integral to the transition to a low carbon economy. The Company is looking at a number of potential projects in Hispanic America. In particular, the Company believes there are good opportunities in gold, silver, platinum and base metals, where the economics are especially attractive and the opportunity set has the ability of delivering lowest cost quartile sustainable metal production from legacy mining tailings, with low geological risk. Such opportunities have the potential to provide strong cash returns without exploration risk and only require

Directors' Statement under Section 172 (1) of the Companies Act 2006

The Section 172 (1) of the Companies Act obliges the Directors to promote the success of the Company for the benefit of the Company's members as a whole.

The section specifies that the Directors must act in good faith when promoting the success of the Company and in doing so have regard (amongst other things) to:

- a) the likely consequences of any decision in the long term;
- b) the interests of the Company's employees;
- c) the need to foster the Company's business relationship with suppliers, customers and others;
- d) the impact of the Company's operations on the community and environment;
- e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly as between members of the Company.

The Board of Directors is collectively responsible for the decisions made towards the long-term success of the Company and how the strategic, operational and risk management decisions have been implemented throughout the business is detailed in this Strategic Report on pages 6–14.

Following restructuring of the Company's Board, strategy and portfolio in 2020, the Company's new strategic platform is taking shape and will be for the benefit of all stakeholders. The Board has made significant progress in the Slovenia dispute and damages claim and the completion of the damages-based agreement appointing Enyo Law LLP to represent it in its dispute with the Republic of Slovenia, following which it is expected to submit the arbitration claim in Q3 2022. The ESG metals strategy has been accelerated by signing a Joint Venture collaboration agreement with Blanco Safi SAC, focused on originating ESG Precious Metals processing transactions in Peru. This has been combined with capital raises to fund the business moving forward for the benefit of all stakeholders: shareholders, employees and suppliers alike.

Stakeholder engagement

The Board recognises that our employees are one of the key resources of our business which enables delivery of Company's vision and goals. Annual pay and benefit reviews are carried out to determine whether all levels of employees are benefited equally and to retain and encourage skills vital for the business. The Remuneration Committee oversees and make recommendations for executive remuneration and any long-term share/option awards. A scorecard is prepared annually and reviewed half yearly. Bonus awards are based on achievement of scorecard targets. Employees are informed, both of results and important decisions, and are encouraged to feel engaged and to improve career potential.

In response to the replacement of mandatory rules regarding COVID-19 with advice, the Company monitors and follows ongoing Government guidelines to ensure that it plans and implements workplace safety in a way that cares for employees and safeguards their health and wellbeing.

The Board acknowledges that a strong business relationship with suppliers and customers is a vital part of the growth. Whilst day to day business operations are delegated to the executive management, the Board sets directions with regard to new business ventures. The Board uphold ethical business behaviour and encourages management to seek comparable business practices from all suppliers and customers doing business with the Company. We value the feedback we receive from our stakeholders and we take every opportunity to ensure that where possible their wishes are duly considered.

The Board considers that relationships and dealings with host Governments plays an integral part of developing oil and gas and mining ventures and accordingly interacts with host Governments and the respective authorities.

Policies and processes

The Board considered a number of governance matters during the year. These included amongst other the review and update of a number of existing group policies covering Data Protection, Social Media and Communications.

The Board is responsible overall for reviewing the effectiveness of the policies and processes, while the role of senior management is to implement Board policies and processes.

Maintaining High Standards of Business Conduct

The Company is incorporated in the UK, governed by the Companies Act 2006 and carries out its business in Slovenia as well as having interests in Peru and Cuba. The Board guides management and the employees to conform with relevant statutory and regulatory provisions in the United Kingdom and any other prevailing regulations and best practices at other operative locations.

The Company has adopted the Quoted Companies Alliance Corporate Governance Code 2018 and the Board recognises the importance of maintaining a good level of corporate governance, which together with the requirements to comply with the AIM

Rules ensures that the interests of the Company's stakeholders are safeguarded. The Board receives training periodically, and in Q1 2021 the Company's external lawyers gave the directors a refresher on the requirements around disclosure of inside information.

The Board has insisted that ethical behaviour and business practices should be implemented across the business. Anti-corruption and anti-bribery training are provided to staff and contractors and the anti-bribery statement and policy is contained in the Company's Employee Manual. The Company's expectation of honest, fair and professional behaviour is reflected by this and there is zero tolerance for bribery and unethical behaviour by anyone relating to the Company.

The importance of making all employees feel safe in their environment is maintained and a Whistleblowing policy is in place to enable staff to confidentially raise any concerns freely and to discuss any issues that arise. Strong financial controls are in place and are well documented.

Shareholders

The Board places equal importance on all shareholders and recognises the significance of transparent and effective communications with shareholders. As an AIM listed company there is a need to provide fair and balanced information in a way that is understandable to all stakeholders and particularly our shareholders.

The Company values the views of its shareholders, the directors are keen to engage with shareholders and work with them so that they are aligned to the strategy and growth of the business.

The primary communication tool with our shareholders is through the Regulatory News Service, ("RNS") on regulatory matters and matters of material substance. The Company's website provides details of the business, investor presentations and details of the Board and Board Committees, changes to major shareholder information, QCA Code disclosure updates under AIM Rule 26. Changes are promptly published on the website to enable the shareholders to be kept abreast of Company's affairs. The Company's Annual Report and Notice of Annual General Meetings (AGM) are available to all shareholders. The Interim Report and other investor presentations are also available on our website.

The AGM is an annual opportunity for shareholders to meet with the Company and receive a full update of the business from both the Board and management. There is full transparency of the voting on the resolutions at the AGM, with the Company disclosing the proxy votes received on each resolution in the RNS released shortly after the AGM.

In order to increase shareholder awareness, the Company has recorded a number of media interviews which are available to view and/or download on leading investor- focused websites and from the Company's social media accounts. An email alert service has also been established to which shareholders can subscribe to receive company announcements as and when they are released.

Community and Environment

The Board places utmost importance of matters pertaining Environmental, Health, Safety and Social Responsibility and guides the Company on following due policies and processes in order to protect the Community the Company operates within.

Health and Safety measures are reviewed periodically and the necessary improvements are recommended for better practices. The Company recognises its role as an oil and gas exploration and production company and is aware of the potential impact that it may have on the environment. The Company ensures that its subsidiary companies comply with the local regulatory requirements with regard to the environment and seeks to engage local specialised subcontractors where applicable.

Financial Report

Revenue for 2021 was nil (2020: nil). During the year under review and the prior year, the Company has not recognised revenue due to the ongoing dispute over revenue entitlement with its JV partner Geoenergo. The Company announced in March 2022 that it had elected to invoice for its share of production revenues for the months April 2020 through to February 2022.

Overall, operating costs have reduced, with administrative expenses decreased from £2.279 million in 2020 to £1.597 million in 2021. Administrative costs principally comprise staff costs, overheads and listing related expenses. During the year under review there were no non-cash related long-term employment incentive charges (2020: £456,000).

The loss for the year totalled £1.971 million versus £2.831 million in 2020.

Operating cash flow was an outflow of £1.472 million in 2021 versus an outflow of £1.346 million in 2020, reflecting a slight

increase in expenditures.

Cash at the end of the period was £97k versus £115k at the end of 2020.

Borrowings at the end of the year were £536k mostly constituted of the Riverfort Investment Agreement announced in March 2020 which was a result of the re-financing of the Equity Sharing Agreement and financing from September 2019, and the re-organisation of that debt in December 2021.

Financial KPIs	2021 £'000	2020 £'000	Variance £'000
Revenue	-	-	-
Administrative Expenses	1,596	2,279	(683)
Operating Cash Flow	(1,472)	(1,346)	126
Cash Balance	97	115	(18)

Operational Performance

The Company produced 1,529,980 standard cubic metres of gas and 52,196 litres of condensate from the PG-10 and PG-11A wells during the year. Production has declined over the 2020 period where the Company produced 1,852,740 cubic metres of gas and 48,148 litres of condensate.

Production KPI's	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021	Jun 2021
Total gas (k scm)	131.82	136.17	318.64	143.08	99.17	85.80
Total gas (M scf)	4.66	4.81	11.25	5.05	3.50	3.03
Average daily gas (k scm)	4.25	4.86	10.28	4.77	3.20	2.86
Average daily gas (k scf)	150.17	171.74	362.99	168.43	112.97	101.00
Total condensate (liters)	2,808	2,354	17,496	5,346	3,834	1,674
CGR (liters per 1000 scm gas)	21.30	17.29	54.91	37.36	38.66	19.51
BOE – gas	802.39	828.87	1939.56	870.93	603.65	522.26
BOE – condensate	17.63	14.78	109.87	33.57	24.08	10.51
Total BOE	820.02	843.65	2049.44	904.50	627.73	532.78

Production KPI's	Jul 2021	Aug 2021	Sep 2021	Oct 2021	Nov 2021	Dec 2021
Total gas (k scm)	38.49	87.93	140.53	111.06	110.75	126.54
Total gas (M scf)	1.36	3.11	4.96	3.92	3.91	4.47
Average daily gas (k scm)	1.24	2.84	4.68	3.58	3.69	4.08
Average daily gas (k scf)	43.85	100.17	165.43	126.52	130.37	144.15
Total condensate (liters)	2,052	2,160	5,292	3,294	2,862	3,024
CGR (liters per 1000 scm gas)	53.31	24.56	37.66	29.66	25.84	23.90
BOE – gas	234.29	535.23	855.41	676.02	674.14	770.25
BOE – condensate	12.89	13.56	33.23	20.69	17.97	18.99
Total BOE	247.18	548.79	888.64	696.71	692.11	789.24

M= Million k= Thousand scm= standard cubic meter scf= standard cubic foot

Our Principal risks and uncertainties

Slovenia Disputes Dispute with the Republic of Slovenia

Risk

The Company formally first notified the Government of Slovenia of the existence of disputes under the UK-Slovenia Bilateral Investment Treaty (the "BIT") and the Energy Charter Treaty (the "ECT") on 24 July 2020. Following the issuance of the Notice of Dispute, the Company triggered a compulsory minimum three month 'cooling-off' period, designed to allow the parties to attempt to resolve their dispute ahead of arbitration proceedings.

On 22 October 2020, ninety days after the serving of the Notice of Dispute, the Company announced that it was entering into direct negotiations with the Government of Slovenia, with a view to potentially settling the claim in an amicable manner.

The Company announced on 19 March 2021 that, following a letter received from the State, an amicable settlement was then not achievable. As part of direct pre-arbitration settlement discussions, the Company had submitted a damages calculation to the State totalling significantly in excess of €100 million.

On 8 November 2021 the Company announced that it had signed a binding conditional damages-based agreement with Enyo Law LLP, a specialist arbitration and litigation legal firm who had previously filed the Notice of Dispute and represented the Company in the pre-arbitration negotiations, to commence proceedings against the Republic of Slovenia under the Energy Charter Treaty and the UK-Slovenia Bilateral Investment Treaty. As part of this arbitration claim funding, Enyo are to fund the payment of advanced disbursements which are expected to be incurred in the pursuit of the claim, and these sums along with the time of Enyo's lawyers will only be paid out of the proceeds of the arbitration in the event of a successful damages award or execution of a binding settlement agreement (if achieved sooner). The closing of such funding arrangement was confirmed on 30th May 2022.

The company also filed a second Notice of Dispute on 5th May 2022 given that the recent legislative developments in Slovenia which banned any form of stimulation for the purpose of producing hydrocarbons constitute a new breach that would reinforce Ascent's claim against the Republic of Slovenia, given that the joint venture has always expected to be able to continue the historic practise of conducting low volume mechanical stimulation techniques in order to flow the tight gas reservoir and therefore these latest developments could lead to a significant increase in the Company's damages claim. Should settlement not be achieved in the new three month cooling off period, the company expects to commence arbitration proceedings immediately in Q3 2022. Although the Company is aware that it has a strong claim, there is an inherent risk when carrying arbitration proceedings that the full amount of damages might not be recovered.

The Company is mitigating such risk by instructing a reputed London based law firm specialised in investment treaty arbitration to manage such claim together with local Slovenia counsels with previous arbitration experience, with the internal support of the Company's inhouse lawyer.

JV Update

As previously announced, the Company's subsidiary Ascent Slovenia Limited has been managing certain disputes with Petrol Geo* and Geoenergo* in connection with the Joint Venture and the Service Agreements. Despite multiple offers by the Company to settle matters, including to restructure the JV arrangements and gas sales revenue entitlement, no amicable settlement with either Geoenergo or Petrol Geo has been reached to-date.

The Board will continue to defend its investments in Slovenia and reserves its right to pursue all available remedies and actions and in order to mitigate such risk has appointed a local counsel to defend its position.

* The JV partner Geoenergo is 50% owned by Nafta Lendava (which itself is an entity 100% owned by the Republic of Slovenia) and 50% owned by Petrol (30% of which is directly and indirectly controlled by the Republic of Slovenia). The JV Service Provider, Petrol Geo, is a 100% subsidiary of Petrol.

Commodity

The Group is exposed to risks arising from fluctuations in the demand for, and price of, hydrocarbons. Oil and gas prices depend on numerous factors over which the Group does not have any control, including global supply, international economic trends (such as the current downturn caused by COVID-19), currency exchange fluctuations, inflation, consumption patterns and global or regional political events. This risk impacts revenues from the Group's existing asset portfolio in Slovenia, projects under development and evaluation of business development opportunities where commercially depends on assumptions around future commodity prices.

In terms of evaluating and sanctioning new investments, the Group adopts a conservative price forecast to ensure capital is allocated to projects with robust economics, even in lower commodity price environments

Permitting risk

The single biggest issue when carrying out operations in Slovenia over the past seven years has been the environmental permitting process with the Company being made aware in June 2020 that the Administrative Court of the Republic of Slovenia had ruled that an EIA would be required to enable the re-stimulation of PG-10 and PC11A wells. This is not unique to Ascent and it is our opinion that inefficiencies and uncertainties within the environmental permitting process are a significant hurdle to economic growth in Slovenia. However, in March 2022 some amendments to the Mining law were approved which depart from the EU guidelines on the subject matter and now Slovenia will no longer distinguish between high and low volume stimulation, with the consequence that any form of mechanical stimulation for the purpose of exploration or exploitation of hydrocarbons has been banned and accordingly the Company will no longer be able to attain the permits to re-stimulate the PG-10 and PC-11A wells as planned and is now reviewing future field development plans that do not involve stimulation.

Permitting risk exists for any element of the field development plan which requires an environmental permit; mainly well stimulation and the installation of processing equipment. This risk is managed by our detailed understanding of the process and our actions to ensure Slovenian and EU regulations are followed properly by Slovenian officials. On 5th May 2022 The company issued a second notice of dispute against the Government of Slovenia based on the new changes to the mining law which are, in the opinion of the Company, directly targeted at Ascent and the Company expects to commence arbitration proceedings in Q3 2022 (unless a settlement is achieved beforehand) after the ENYO Damages Based Agreement came in full force on 30th May 2022. The Company and its advisors see this development as further reinforcing its claim against the Republic of Slovenia under the Energy Charter Treaty and UK-Slovenia Bilateral Investment Treaty, given that the joint venture has always expected to be able to continue the historic practice of conducting low volume mechanical stimulation techniques in order to flow the tight gas reservoir and therefore these latest developments could lead to a significant increase in the Company's damages claim. Any further irregularities in the processes and unnecessary delays will also be legally pursued.

Concession

An automatic 18-month concession extension was granted in November 2021 pursuant to Article 11 of the Act on Intervention Measures implemented in Slovenia to assist the economy in mitigating the consequences of the COVID-19 pandemic. Accordingly, the concession expiry date will now be 25 November 2023. The Company and its JV partner are currently assessing whether a further extension is possible given the recent legislative changes in Slovenia which ban any form of hydraulic stimulation.

Before the changes to the mining law, Ascent was confident that an extension would be granted as a matter of course, based on the provisions under Slovenian Mining Law, but there is no guarantee that this will be the case anymore given the legal uncertainty Slovenia has shown. Should an extension not be granted the economic uncertainty of the concession may result in potential impairment of the value of the asset.

Sanctions Risk Ascent Resources Plc ("Ascent") and all subsidiaries and members of its global corporate group (collectively the "Ascent Group") are committed to ensuring that all parts of our business and all our employees fully comply with all sanctions laws applicable to our work. These include all applicable European Union ("EU") and United Kingdom ("UK") sanctions laws and associated regulations. The Ascent Group is generally not subject to US sanctions laws; if Ascent Group established operations in Cuba which came under US jurisdiction they would be prohibited according to US sanctions laws. Ascent Group seeks to comply with US sanctions laws where applicable and therefore the group should ensure it is only subject to US law in set circumstances where agreed by Ascent's Board. The Group has not been directly affected by the recent international sanctions imposed to Russia.

In order to mitigate this risk the company complies with its International Sanctions Compliance Policy ("Policy") that aims to ensure that the group has effective procedures and resources in place to determine what sanctions laws apply to its activities and to implement a clear and robust approach to ensuring sanctions compliance and prevents U.S. Persons (as defined in the AoA) from becoming shareholders or directors of the Company. Following specialist advice, the Company opened a subsidiary in Spain in 2021 to ensure any potential future Cuba entry is executed in a way to secure it benefits from EU legislation protection on Sanctions.

COVID 19 Risk Production operations in Slovenia have been unaffected to date, with the assets being managed through a combination of on-site working within social distancing guidelines or remote oversight, with all appropriate safety procedures remaining in place to protect staff and local communities, although the risk of future disruption remains.

COVID-19 has impacted the Company's ability to travel which in turn has a consequence on ability to execute on certain business development activity, in particular in relation to Cuba. Covid-19 has restricted the ability to hold face-to-face meetings with shareholders, however the Company intends to keep shareholders engaged through the Company's website. It has also been holding virtual meetings with its Slovenian JV partners and technical advisors avoiding the risk of travelling when possible. Although the situation seems to have improved since Q1 2022 with UK travel restrictions being lifted this risk is still existent.

Failure to qualify as an Onshore Oil and Gas Operator in Cuba Risk In order to secure a Cuban oil and gas production sharing contracts, Ascent would first need to be qualified as an onshore Cuban O&G operator. This qualification has both technical and financial thresholds to satisfy. Qualification with Oficina Nacional de Recursos Minerales ('ONRM') as an onshore operator is subject to the Company obtaining the necessary funding and final approval being received by ONRM.

How we operate

The Company utilises a full range of advanced geophysical, geological and other state-of-the-art technology to evaluate and de-risk projects and to reap maximum benefit from its appraisal, development and production activities. Our Petišovci project is operated through a local entity in a joint venture.

Our people

Ascent has a small executive team implementing a clear growth strategy. This is supplemented, as the need requires, with regional technical, legal, compliance and operational expertise to ensure the highest standards are delivered on our projects. As an important local employer in our area of operation we take our environmental and social responsibilities seriously and always strive to be a good corporate citizen.

Approved for issue by the Board of Directors and signed on its behalf

James Parsons
Executive Chairman
30 June 2022

Summary of Group Net Oil and Gas Reserves as of 31 Dec 2021

Net Reserves and Resources

	Net Attributable Producing Reserves (bcf gas)			Net Attributable Non-producing Reserves (bcf gas)			Total Net Attributable Reserves (bcf gas)		
	P90	P50	P10	P90	P50	P10	P90	P50	P10
Net Ascent	41	84	162	35	73	145	76	157	307

These figures are based on RPS Energy "Updated Independent Volumetric Review of the Petišovci area" gas-in-place estimates with a management assumption of a 50% recovery factor and Ascent's 75% participating interest.

Tested and/or producing commercial sands are included as Producing Reserves while untested and unproduced sands remain as non-Producing Reserves. The condensate content of gas is not included.

Remaining gas reserves have been adjusted to take into account historic field production since 1963, including estimates of process flare and fuel, which to the end of 2021 were 12.9 bcf.

Proven Reserves (P90) are those quantities of petroleum which can be estimated with reasonable certainty to be commercially recoverable, from known reservoirs and under current economic conditions, operating methods and government regulations.

Proven + Probable Reserves (P50) includes those unproven reserves which are more likely than not to be recoverable.

For the P90 (P50 and P10) Reserves there is at least a 90% (50%; 10%) probability that the quantities actually recovered will equal or exceed the estimate.

The range of estimates shown for each category of reserves is a measure of the uncertainty inherent in the estimation of producible volumes and includes the current perceptions of geological, operational and commercial risk.

Directors' Report

The Directors present their Directors' Report and Financial Statements for the year ended 31 December 2021 ("the year").

Principal activities

The principal activities of the Group comprise gas and oil exploration and production. In 2021 the Company announced the launch of its ESG metals strategy. The Company is registered in England and Wales and is quoted on the AIM Market of the London Stock Exchange.

The Group's corporate management is in London and its oil and gas interests are in Slovenia. The Group operates its own undertakings both through subsidiary companies and joint ventures. The subsidiary undertakings affecting the Group's results and net assets are listed in Note xx to the Financial Statements.

Future developments

The Company has identified ESG metals as a new target sector alongside its current resource focused business. ESG Metals includes secondary mining and recovery opportunities which the Company sees as being consistent with Environmental, Social and Governance ('ESG') principles. ESG metals is a method of low-cost sustainable metal production from legacy mining waste (simultaneously rehabilitating past environmental damage) into valuable assets for reprocessing and commercial sale to industry, governments and metals traders.

The Company is looking at a number of potential projects in Hispanic America. In particular, the Company believes there are good opportunities in gold, silver, platinum and base metals, where the economics are especially attractive and the opportunity set has the ability of delivering lowest cost quartile sustainable metal production from legacy mining tailings, with low geological risk. Such opportunities have the potential to provide strong cash returns without exploration risk and only require modest upfront capital outlay.

Post the period in review, the Company announced an update on its ESG Metals strategy, introducing Peru as its primary target geography alongside the signature of a Joint Venture agreement with Peru-based Blanco Safi SAC to collaborate on the identification and subsequent development of precious and base metal rich tailing and processing operations.

With regards the Slovenia operations, the Company expects to be able to officially submit in Q3 2022 the arbitration claim pursuant to the protections afforded to the Company and its operating subsidiary under the Energy Charter Treaty and UK-Slovenia Bilateral Investment Treaty. The concession expiry date for the Slovenian operations has been extended until 25 November 2023 and in light of the Mining Law changes implemented by Slovenia in April 2022, the Company and its JV partner are re-evaluating the possibility of attaining the formal long-term extension of the concession given that the business plan can no longer include stimulation as a technique to produce the tight rock gas reservoir. The Company also notes that these blanket restrictions on hydraulic-stimulation for the purpose of producing hydrocarbons within Slovenia should reinforce the Company's claim against the Republic of Slovenia.

Financial risk management

Details of the Group's financial instruments and its policies with regard to financial risk management are given in Note 26 of the Financial Statements.

Results and dividends

The loss for the year after taxation was £2.0 million (2020: £2.8 million). The Directors do not recommend the payment of a dividend (2020: Nil).

Post balance sheet events

Post the year in review, in January 2022, the Company announced that it has raised gross proceeds of £0.6m at a placing price of 3.3 pence, representing a nil discount to the closing bid price. The placing is to fund the Company's continued working capital requirements and wider business development activities as it continues to execute on its ESG Metals growth strategy.

For further information on post balance sheet events please see note 23.

Directors

The Directors of the Company that served during the year were as follows:

James Parsons

Ewen Ainsworth (resigned 28 February 2022)

Andrew Dennen

Stephen James Birrell

Malcolm Graham-Wood

Relevant details of the Directors, which include committee memberships, are set out on page 19 and 23.

Directors' interests

The beneficial and non-beneficial interests in the issued share capital of the Company were as follows:

Ordinary shares of 0.5p each		
	At 31 December 2021	At 31 December 2020
James Parsons	500,900	341,947
Ewen Ainsworth (resigned 28 February 2022)	454,545	454,545
Andrew Dennen	2,140,000	1,900,000
Stephen Birrell	-	-
Malcolm Graham-Wood	-	-

Directors' emoluments

Details of Directors' share options and remuneration are set out in the Remuneration Committee report on pages 28-30.

Third party indemnity provision

The Company has provided liability insurance for its Directors. The annual cost of the cover is not material to the Group. The Company's Articles of Association allow it to provide an indemnity for the benefit of its Directors which is a qualifying indemnity provision for the purposes of the Companies Act 2006.

Share capital

Details of changes to share capital in the period are set out in Note 20 to the Financial Statements.

As at 10 May 2022 the Company has been notified of the following significant interests in its ordinary shares, being a holding of 3% and above:

	Number of ordinary shares	%
Align Research Limited & Related parties RS & CA Jennings	13,300,000	9.81
Spreadex	11,016,710	8.13
Hargreaves Lansdown Private Clients	9,571,351	7.06
Halifax Share Dealing Clients*	8,151,585	6.29
Jonathan Summers	7,027,199	5.18
Interactive Investor Clients*	6,054,824	4.47
IG Markets clients*	5,797,856	4.28
Marex Financial	5,262,447	3.88
Acqam International	4,430,000	3.27

*Private client holdings

Shareholder communications

The Company's website, www.ascentresources.co.uk provides a platform for the purposes of improving information flow to shareholders, as well as potential investors.

Employees

The Company's Board composition provides the platform for sound corporate governance and robust leadership in implementing the Company's strategies to meet its stated goals and objectives.

The Group's employees and consultants play an integral part in executing its strategy and the overall success and sustainability of the organisation. The Group has a highly skilled and dedicated team of employees and consultants and places great emphasis on attracting and retaining quality staff. As an international oil and gas company, we facilitate the development of leadership from the communities in which we operate. There is a large pool of qualified upstream oil and gas exploration and production professionals in the areas in which we operate, and we are committed to building and developing our teams from these talent pools.

The Group holds its employees and consultants at all levels to high standards and expects the conduct of its employees to reflect mutual respect, tolerance of cultural differences, adherence to the corporate code of conduct and an ambition to excel in their various disciplines.

Disclosure of information to auditors

In the case of each person who was a Director at the time this report was approved:

- so far as that Director was aware there was no relevant audit information of which the Company's auditors were unaware; and
- that Director had taken all steps that the Director ought to have taken as a Director to make himself aware of and relevant audit information and to establish that the Company's auditors were aware of that information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Going Concern

The Financial Statements of the Group are prepared on a going concern basis as detailed in Note 1 to the financial statements.

The Company has raised £0.6 million in new equity since the balance sheet date from new and existing investors. Under the Group's forecasts, the funds raised together with existing bank balances provide sufficient funding for at least the next two months, as of the date of the publication of this report, based on anticipated outgoings and in the absence of the receipt of revenues from production.

In addition to the need to raise additional funding in the next two months, the forecasts are sensitive to the timing and cash flows associated with the continuing situation in Slovenia, and discretionary spend incurred with executing the ESG Metals Strategy through acquisition. As such, the Company will need to raise new capital within the forecast period to fund such discretionary spend.

Based on historical and recent support from new and existing investors the Board believes that such funding, if and when required, could be obtained through new debt or equity issuances. However, the ability to raise these funds is not guaranteed at the date of signing these financial statements. As a consequence, the auditors have made reference to going concern by way of a material uncertainty.

Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution for the reappointment of PKF Littlejohn LLP as auditors of the Company is to be proposed at the Annual General Meeting to be held prior to 30 September 2022.

Approved for issue by the Board of Directors

and signed on its behalf



James Parsons
Executive Chairman
30 June 2022

Board of Directors



James Parsons

Executive Chairman (5 March 2020 to present)

In addition to his role as Executive Chairman at Ascent Resources plc, which is part time, James is currently Chairman of Corcel Plc, Coro Energy plc and Echo Energy Plc. James has over 20 years' experience in the fields of strategy, management, finance and corporate development in the energy industry. He started his career with the Royal Dutch Shell Group where he spent 12 years working in Brazil, the Dominican Republic, Scandinavia, the Netherlands and London. James was previously Chief Executive at Sound Energy Plc for eight years, is a qualified accountant and has a BA Honours in Business Economics.



Andrew Dennen

Chief Executive Officer / Executive Director (5 May 2020 to present)

Andrew has a wealth of corporate finance, merger, asset funding and corporate transaction experience on AIM. Throughout his career he has been involved in stockbroking and asset management in prominent roles, leading proprietary investment decisions, capital raising, risk oversight and portfolio management. He was formerly Chief Financial Officer and Director of Coro Energy Plc and he is also a Non-Executive Director of Nu-Oil and Gas Plc. Andrew holds the CFA Investment Management Certificate and has a BA(Hons) in Actuarial Science from City University.



Stephen Birrell

Non-Executive Director (1 October 2020 to present)

Stephen is a Spanish speaking, geoscientist who has worked in the upstream oil and gas industry for over 35 years with a deep focus on Central Eastern Europe. He has operated across multiple jurisdictions including the Caribbean and CEE with Britoil, BP and Elf. He is currently a Director of Ossian Energy Ltd and up until 2020 was the President of ROPEPCA, the upstream oil and gas operator association of Romania. He also holds a non-executive board role with Live Company Group Plc and Coro Energy Plc. Stephen has a BSc Honours in Applied Geology.



Malcolm Graham-Wood

Non-Executive Director (1 October 2020 to present)

Malcolm has over 40 years' experience in the energy business and is a well known corporate broker and market commentator to both private and institutional audiences. Malcolm is a Founding Partner of HydroCarbon Capital which provides independent advisory services to the oil & gas sector and is also a Director of the Maven Income and Growth VCT 4 PLC, a venture capital trust listed on the premium sector of the London Stock Exchange where he chairs the risk committee.

Directors and Advisers

Company's registered number	05239285
Directors	James Parsons Andrew Dennan Stephen Birrell Malcolm Graham-Wood
Company Secretary	AMBA Secretaries Limited
Registered Office	5 New Street Square London EC4A 3TW
Nominated Adviser Joint Broker	WH Ireland Limited 24 Martin Lane London EC4R 0DR
Joint Broker	Novum Securities Limited 8-10 Grosvenor Gardens London SW1W 0DH
Auditors	PKF Littlejohn LLP 15 Westferry Circus London E14 4HD
Solicitors	Fieldfisher LLP Riverbank House 2 Swan Lane London EC4R 3TT
Bankers	Barclays Corporate Banking 1 Churchill Place London E14 5HP
Share Registry	Computershare Investors Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE
PR & IR	Vigo Consulting Sackville House 40 Piccadilly London W1J 0DR

Corporate Governance Report

Chairman's Corporate Governance Statement

As Chairman, it is my role to ensure that the Company has both sound corporate governance and an effective Board. My responsibilities as Chairman include leading the Board effectively, overseeing the Group's corporate governance model, communicating with shareholders and ensuring that good information flows freely between the Executive and Non-Executive Directors in a timely manner.

The Company has adopted the Quoted Companies Alliance Corporate Governance (QCA Code), which requires AIM-quoted companies to adopt a 'comply or explain' approach in respect of the application of guidance contained within.

The Board believes that corporate governance is a framework which underpins the core values for running the business, including a commitment to open and transparent communications with stakeholders. We believe that good corporate governance improves long-term success and performance. The corporate governance framework within which Ascent operates, including Board leadership and effectiveness, Board remuneration and internal control is based upon practices which the Board believes are proportional to the size, risks, complexity and operation of the business.

2021 has been a year of restructuring and strategic development as we finalised the non-recourse funding for Slovenia ECT and BIT damages claim (which was completed in May 2022) and develop our ESG Metals strategy. Engaging with our shareholders remains vitally important and we ensure that there are opportunities for investors to engage with the Board and the executive team.

The Company has an Executive Chairman and Chief Executive Officer, which the Board recognises does not comply with the requirements of the QCA Code. The reasons for this are to provide the skills and expertise to grow the business and deliver the strategy for the benefit of the Company's shareholders. During 2021, the Board had three non-executive directors, of which Ewen Ainsworth and Stephen Birrell were considered to be independent. On 28 February 2022, Ewen Ainsworth resigned from the Board in order to take up a full-time position elsewhere. The Board will continue to consider the composition of the Board and when appropriate appoint a further independent non-executive director.

The Board is committed to leading the business in a way which is honest, transparent and accountable.

James Parsons
Executive Chairman

30 June 2022

Corporate Governance Report continued

Quoted Companies Alliance Corporate Governance Code

Since September 2018 all AIM companies have been required to comply with a recognised corporate governance code and to disclose how the implementation of the governance code has been applied or to explain any areas of departure from its requirements. Ascent carefully reviewed and then resolved to apply the Quoted Companies Alliance Corporate Governance Code ("QCA Code") published in April 2018 which is constructed around ten broad principles. This report sets out our approach to the QCA Code and governance. Our compliance with the ten principles is also available to view on the Company's website: www.ascentresources.co.uk.

The Company's statement in relation to the QCA Corporate Governance code can be found on the Company's website at www.ascentresources.co.uk/wp-content/uploads/2020/05/2020-05-22-Ascent-Corporate-Governance_Code.pdf

QCA Code Principle	Required Disclosure	Reference
One	Establish a strategy and business model which promote long-term value for shareholders.	See pages 6-14 of the Annual Report, the 'Strategic Report' See website disclosures at the above link
Two	Seek to understand and meet shareholder needs and expectations. Explain the ways in which the Company seeks to engage with shareholders.	See page 6-14 of the Annual Report, the 'Strategic Report' See website disclosures at the above link
Three	Take into account wider stakeholder and social responsibilities and their implications for long term success. Explain how the business model identifies the key resources and relationships on which the business relies. Explain how the Company obtains feedback from stakeholders.	See website disclosures at the above link
Four	Embed effective risk management, considering both opportunities and threats, throughout the organisation.	See pages 21-26 of the Annual Report – Corporate Governance Report
Five	Maintain the board as a well-functioning, balanced team led by the Chair.	See page 23 of the Annual Report 'Board Composition', and 21-26 Corporate Governance Report.
Six	Ensure that the Directors have the necessary experience, skills and capabilities.	See page 23 of the Annual Report See website disclosure at the above link.
Seven	Evaluate board performance based on clear and relevant objectives, seeking continuous improvement. A description of the Board performance evaluation process.	See page 23 of the Annual Report 'Board Composition' See website disclosures at the above link
Eight	Promote a corporate culture that is based on ethical values and behaviours. Explain how the Board ensures that the Company has the means to determine ethical values and behaviours.	The Board firmly believes that sustained success will best be achieved by adhering to our corporate culture of treating all our stakeholders, including our employees, fairly and with respect. Accordingly, in dealing with each of the Company's principal stakeholders, we encourage our staff to operate in an honest and respectful manner. See page 23 of the Annual Report 'Board Composition' See website disclosures, Principle Eight for further detail.

Nine	Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board. Roles and responsibilities of the Chair, CEO and other directors with commitments. Describe the roles of the Committees.	See website disclosures Principle Nine under AIM Rule 26
Ten	Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders. Outcomes of votes cast by shareholders to be disclosed in a clear and transparent manner. If a significant number of votes were cast against a resolution put to a general meeting (20%) explain the reasons behind the votes cast.	See page 24 of the Annual Report, 'Communication with Shareholders', Corporate Governance Report. See website disclosures Principle Ten under AIM Rule 26

Board Composition

Membership of the Board and information on each member can be found in the Directors' Report.

James Parsons, Executive Chairman

James Parsons is the Group's Executive Chairman and chairs the Board, setting high standards of good corporate governance throughout the business. He leads in the development of strategy and setting objectives and oversees communication between the Group and its shareholders.

Andrew Dinnan, Chief Executive Officer

Andrew Dinnan is the Chief Executive Officer and has overall responsibility for managing the day-to-day operations of the Company and is responsible for implementing the Company's strategy.

Whilst the Board recognises that having an Executive Chairman is not considered best practice under the QCA code, it has been identified that the role of the Chairman in an executive capability is extremely important to the Company in leading the business forward. As of 28 February 2022, the Board has two non-executive directors, one of which is considered to be independent and provides a healthy level of independence on the Board.

Ewen Ainsworth, Stephen Birrell and Malcolm Graham-Wood were all non-executive directors during 2021. Ewen Ainsworth and Malcolm Graham-Wood were members of the Audit Committee. Ewen Ainsworth and Stephen Birrell were members of the Remuneration Committee.

Ewen Ainsworth resigned on 28 February 2022 and Malcolm Graham-Wood was appointed Chairman of the Audit Committee and Stephen Birrell was appointed a member of the Audit Committee. Malcolm Graham-Wood was appointed a member of the Remuneration Committee.

A separate Technical & Reserves Committee was formed in 2021 and Stephen Birrell was appointed Chairman. Stephen Birrell is the Chairman of the HSE Committee.

Each director is committed to spending sufficient time to enable them to carry out their duties as a director.

Skills and competencies of the Board

The Chairman believes that, as a whole, the Board has a suitable mix of skills and competencies in order to drive the Group's strategy and is best placed to secure the future of the Company and create long-term value for all stakeholders. The Board has significant industry, financial, public markets and governance experience, possessing the necessary mix of experience, skills, personal qualities and capabilities to deliver the strategy of the Company for the benefit of the shareholders over the medium to long-term.

The Board updates its operational skills through active involvement in the industry. In addition, the Board keeps abreast of ongoing changes relating to governance and compliance, the AIM Rules for companies, QCA Code, the UK

Corporate Governance Report continued

Market Abuse Regulations and other statutory and regulatory developments. All directors have access to the Company's Nomad, Company Secretary, lawyers and auditors and are able to obtain advice from other external bodies as and when required.

The Company embraces diversity and is dedicated to encouraging inclusion without compromising professionalism, experience and expertise.

The Board is supported by its Audit Committee, Remuneration Committee, Technical & Reserves Committee and HSE Committee. The number of Board and Committee meetings held throughout the course of the financial year is set out at the end of this Corporate Governance Report.

The Board firmly believes that sustained success will best be achieved by adhering to our corporate culture of treating all our stakeholders, including our employees, fairly and with respect. Accordingly, in dealing with each of the Company's principal stakeholders, we encourage our staff to operate in an honest and respectful manner. This is monitored on an ongoing basis by the Company's executive directors. Compliance with this principle is considered an important part of the annual assessment of staff and in setting their pay for future periods.

Communications with stakeholders

The Board places a high priority on transparent and effective communications with shareholders. As an AIM listed company there is a need to provide fair and balanced information in a way that is understandable to all stakeholders. The Board recognises the importance of engaging with all stakeholders including employees, investors, partners, suppliers, media and communities.

The primary communication tool with our shareholders is the Company's website, <https://www.ascentresources.co.uk>. The shareholders are also kept up to date through Regulatory News Service, ("RNS") on regulatory matters and matters of material substance.

The Company reports formally to its shareholders and the market twice each year with the release of its interim and full year results. The Company's Annual Report and Notice of Annual General Meetings (AGM) are published for all shareholders. These reports contain full details of all the principal events of the relevant period together with an assessment of current trading and future prospects. The Reports together with other investor presentations are also available on the website. The Company has full electronic communications in place, so that shareholders (unless they elect otherwise) will have access to communications through the Company's website. A much more effective and environmentally friendly way of interacting with shareholders.

Upon conclusion of Shareholder meetings arrangements are made that the outcomes of votes cast by shareholders can be disclosed in a clear and transparent manner. If a significant proportion of votes (20%+) was ever cast against a resolution, the Company would provide, on a timely basis, an explanation of what actions it intends to take to understand the reasons behind that vote result, and, where appropriate, any different action it has taken, or will take, as a result of the vote.

The Board is mindful that, due to the global pandemic, face to face communication with shareholders has not been possible during part of 2021. The Board has worked to ensure that communication through electronic means has been maintained to keep stakeholders abreast with the on-going developments of the business.

Board and committee meetings

The Board holds five scheduled board meetings or conference calls throughout the year and ad-hoc calls are scheduled as and when the business demands.

Attendances of Directors at board and committee meetings convened in the year, and which they were eligible to attend, are set out below:

Director	Board Meetings (22 in total – scheduled and ad hoc)	Remuneration Committee (4 in total)	Audit Committee Attended (2 in total)
Number of meetings in year – Attendance			
James Parsons	22	1	-
Andrew Dennen	22	-	2
Ewen Ainsworth	20	4	2
Stephen Birrell	20	4	0
Malcolm Graham-Wood	20	-	2

Committees of the Board

The Committees of the Board comprise of non-executive directors.

Audit Committee

The membership of the Audit Committee during 2021 comprised of Ewen Ainsworth (chair) and Malcolm Graham-Wood. Following Ewen's departure from the Board in February 2022 Malcolm assumed the role of Chair of the Committee with Stephen Birrell joining the Committee. The Audit Committee determines and examines any matters relating to the financial affairs of the Group including the terms of engagement of the Group's auditors and, in consultation with the auditors, the scope of the audit.

The Report of the Audit Committee for 2021 is set out on page 27.

Remuneration Committee

The membership of the Remuneration Committee during 2021 comprised of Stephen Birrell (chair) and Ewen Ainsworth. Following Ewen's departure from the Board in February 2022 Malcolm Graham Wood joined the Committee. The Remuneration Committee is responsible for reviewing the performance of the Executive Chairman and the Executive directors, for setting the scale and structure of their remuneration, paying due regard to the interests of shareholders and the performance of the Group. It also reviews the performance of the senior management, sets and reviews their remuneration and the terms of their service contracts and considers the Group's bonus and option schemes, determining targets for any performance-related pay schemes operated by the Company.

The Report of the Remuneration Committee for 2021 is set out on pages 28-30.

The terms of reference of the Audit Committee and the Remuneration Committee are set out on the Company website.

The appropriateness of the Group's governance structures will be reviewed annually in light of further developments of accepted best practice and the development of the Company.

HSE Committee

The HSE Committee is chaired by Stephen Birrell. The Terms of Reference of the HSE Committee were reviewed and approved by the Board in September 2021. The Committee meets as and when required. The Committee did not meet during 2021.

Technical and Reserves Committee

The Technical and Reserves Committee was set up in September 2021 and is chaired by Stephen Birrell. The Terms of Reference of the Technical and Reserves Committee were reviewed and approved by the Board in September 2021. The Committee meets once a year.

Internal controls

The Board acknowledges responsibility for maintaining appropriate internal control systems and procedures to safeguard the shareholders' investments and the assets, employees and the business of the Group.

The Board has established and operates a policy of continuous review and development of appropriate financial controls together with operating procedures consistent with the accounting policies of the Group.

Internal audit

The Board does not consider it appropriate for the current size of the Group to establish an internal audit function.

Bribery and corruption

The Bribery Act 2010 came into force on 1 July 2011. The Company is committed to acting ethically, fairly and with integrity in all its endeavours and compliance with legislation is monitored. The Company has a zero-tolerance approach to bribery and corruption and has an anti-bribery policy in place to protect the Company, its employees and those third parties to which the business engages with. The directors and employees of the company receive annual training on this subject.

Audit Committee Report

Committee composition

The Audit Committee was chaired by Ewen Ainsworth during 2021. On 28 February 2022, Ewen Ainsworth stepped down as a Non-executive Director of the Company. Malcolm Graham-Wood was appointed as Chair of the Audit Committee and Stephen Birrell was appointed to the Committee.

The role of the Audit Committee includes:

- Financial reporting – ensure the integrity of the financial statements including the annual and interim reports.
- Internal controls and Risk Management Systems – review the effectiveness of internal controls and risk management systems.
- Review the need for an internal audit function.
- Monitor and review the external audit, including their independence.
- To review the annual audit plan.
- To approve fees in respect of non-audit services.

Terms of reference of the Audit Committee are available on the Company's website.

During 2021 the Audit Committee met to review and approve the 2020 year-end financial results and the 2021 interim results. The terms of reference of the Committee were reviewed during the year.

Key matters considered

- Assessment of going concern forecasts and associated disclosures.
- Assessment of oil and gas assets for impairment and the underlying assumptions used by management.
- Reports of the external auditor concerning its audit and review of the financial statements of the Group.
- Corporate governance practice and disclosure

Going concern

The Financial Statements of the Group are prepared on a going concern basis as detailed in Note 1 to the financial statements.

Since the balance sheet date, the Company has raised gross funds of £0.6m to fund its continued working capital requirements and wider business development activities as it continues to execute on its ESG Metals growth strategy. The Board believes that further funding, if and when required, could be obtained through new debt or equity issuances. However, the ability to raise funds is not guaranteed at the date of signed these financial statements. As a consequence, the auditors have made reference to going concern by way of material uncertainty.

Approved for issue by the Board of Directors and signed on its behalf

Malcolm Graham-Wood

Chairman of the Audit Committee

30 June 2022

Remuneration Committee Report

The Remuneration Committee during 2021 comprised of Stephen Birrell (chairman) and Ewen Ainsworth both independent non-executive directors. On 28 February 2022, Ewen Ainsworth stepped down as a non-executive director and Malcolm Graham-Wood was appointed to the Committee.

The Committee is responsible for reviewing the performance of the Executive Chairman and the executive directors, for setting the scale and structure of their remuneration, paying due regard to the interests of shareholders and the performance of the Group. It also reviews the performance of the senior management, sets and reviews their remuneration and the terms of their service contracts and considers the Group's bonus and option schemes, determining targets for any performance-related pay schemes operated by the Company.

The Remuneration Committee has amongst its main functions the review of the structure, size and composition of the Board based upon the skills, knowledge and experience required to ensure that the Board operates efficiently and effectively. It will also identify and nominate suitable candidates to join the Board when vacancies arise and make recommendations to the Board for the re-appointment of directors. Given the size of the Company the Board do not feel that it is necessary at present to have a separate Nominations Committee and currently matters relating to nominations are dealt with by either the Remuneration Committee or the Board as a whole.

The Remuneration Committee will keep the remuneration of the executive directors and members of the executive team under review and ensure that they are remunerated at the right levels taking into account delivery of strategy and growth of the business. The Committee will seek external advice if necessary.

The terms of reference of the Remuneration Committee are set out on Ascent's website. The Committee met four times during 2021.

Remuneration policy

The Group's and the Company's policy is to provide remuneration packages that will attract, retain and motivate its executive directors and senior management. This consists of a basic salary, ancillary benefits and other performance-related remuneration appropriate to their individual responsibilities and having regard to the remuneration levels of comparable posts. The Remuneration Committee determines the contract term, basic salary, and other remuneration for the members of the Board and the senior management team.

Executive Directors – Remuneration package

The Company offers a remuneration package which consists of basic salary, bonus payments, share options or other incentive plan awards and a pension to Executive Directors. The level of bonus is based on individual performance and that of the Group as a whole. A Company scorecard with performance targets, which are set by the Remuneration Committee, is agreed and upon which the level of bonus award is judged. The scorecard is set at the beginning of the year and reviewed mid-year and at the end of the year. The target bonus range is up to 100% of base salary.

The executive directors have a six month notice period and upon change of control would receive a payment equivalent to 18 months base salary.

Non - Executive Directors – Fees

The Company pays non-executive directors fees which are set at a level in line with market and appropriate to the size of the business. Fees are paid monthly in cash and include the payment for chairing a Board Committee.

Remuneration of Directors

The following remuneration table comprises Directors' salaries and benefits in kind that were payable to Directors who held office during the year ended 31 December 2021:

Executive Directors 2021	Salary/fees £	Bonus £	Pensions £	Benefits in Kind £	Total £
J Parsons	150,000	32,400	12,000	4,645	199,045
A Dennen	242,100	54,000	21,600	3,531	321,231
Non-Executive Directors					
E Ainsworth	30,000	-	-	-	30,000
S Birrell	30,000	-	-	-	30,000
M Graham-Wood	30,000	-	-	-	30,000
Total	482,100	86,200	33,600	8,176	610,276

The following remuneration table comprises Directors' salaries and benefits in kind that were payable to Directors who held office during the year ended 31 December 2020:

Executive Directors 2020	Salary/fees £	Bonus £	Pensions £	Benefits in Kind £	Severance Payments £	Total £
J Parsons	133,338	12,500	-	2,565	-	148,404
J Buggenhahn	37,442	-	-	-	15,500	52,942
A Dennen	136,200	15,000	5,961	1,847	-	159,008
C Hutchinson	5,000	-	329	-	15,000	20,329
Non-Executive Directors						
E Ainsworth	24,692	-	-	-	-	24,692
L Castro	-	-	-	-	16,042	16,042
L Salvadori	41,731	-	-	-	-	41,731
S Birrell	7,500	-	-	-	-	7,500
M Graham-Wood	7,500	-	-	-	-	7,500
Total	393,403	27,500	6,290	4,413	46,542	478,148

The following table sets out the Directors' incentive share options awarded to directors who held office at 31 December 2021:

2021	Opening	Granted / (Lapsed)	Closing	Date Granted	Share Price at Grant	Exercise Price	Exercise Period	
							Start	End
James Parsons	1,385,894	-	1,385,894	05.03.2020	£0.045	£0.05	05.03.2023	04.03.2025
Andrew Dennen	1,385,894	-	1,385,894	14.04.2020	£0.034	£0.05	14.04.2023	13.04.2025
Ewen Ainsworth	323,375	-	323,375	05.03.2020	£0.045	£0.05	05.03.2023	04.03.2025
Stephen Birrell	-	-	-	-	-	-	-	-
Malcolm Graham-Wood	-	-	-	-	-	-	-	-

Approved for issue by the Board of Directors
and signed on its behalf

Stephen Birrell
Chairman of the Remuneration Committee
30 June 2022

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial in accordance with UK-adopted international accounting standards and, as regards the Company financial statements, as applied in accordance with the requirements of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the AIM Market.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK-adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial statements are published on the Company's website (www.ascentresources.co.uk) in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

Independent Auditor's Report to the members of Ascent Resources plc

Opinion

We have audited the financial statements of Ascent Resources Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Cash Flow Statements and notes to the accounts, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw attention to note 1 in the financial statements, which indicates that the group and parent company will require additional funding within 12 months from the date on which the financial statements are authorised for issue in order to meet its working capital cashflow requirements. The ability of the group to meet its cashflow requirements is therefore dependent on successfully raising additional funds. The total comprehensive loss for the group for the year ended 31 December 2021 was £3.592m and the year end cash position was £97k. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the group's and company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included a review of budgets for 12 months from the date of approval of these financial statements including checking the mathematical accuracy of the budgets and discussion of significant assumptions used by the management and comparing these with current year and post year end performance. We have also reviewed the latest available post year end management accounts, bank statements, regulatory announcements, board minutes and assessed any external industry wide factors which might affect the group and the company.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our application of materiality

The scope of our audit was influenced by our application of materiality. The quantitative and qualitative thresholds for materiality determine the scope of our audit and the nature, timing and extent of our audit procedures. The materiality applied to the group financial statements was set at £564,000 (2020: £640,000), with performance materiality set at £394,800 (2020: £448,000).

Materiality has been calculated as 1.5% of the benchmark of Net Assets (2020: 1.5% of Gross Assets), which we have determined, in our professional judgement, to be one of the principal benchmarks within the financial statements relevant to members of the group in assessing financial performance. Net Assets benchmark was used for the group and all significant components as it reflects key balances including Exploration and evaluation assets, Property, plant and equipment ('PPE'), Investments and intragroup receivables (parent company only) and borrowings.

The materiality applied to the company financial statements was £394,800 for balance sheet testing and £69,000 for income statement testing. The performance materiality was £276,360 and £48,300 respectively. For each component in the scope of our group audit, we allocated a materiality that was less than our overall group materiality and materiality for the significant components ranged between £339,000 to £394,800. We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £28,200 (group audit) and £19,740 for the parent company, respectively.

Our approach to the audit

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the group and company financial statements. In particular, we looked at areas involving significant accounting estimates and judgement by the directors and considered future events that are inherently uncertain such as the impairment of intangible assets, PPE and investments in subsidiaries (parent company only). We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

The group holds five (active) companies that are consolidated within these financial statements, two based in the UK and three based in Europe. We identified two significant components, being the parent company, Ascent Resources Plc and Ascent Slovenia Limited, which were subject to a full scope audit by a team with relevant sector experience. No component auditors were engaged.

In addition, we identified components which were not significant to the group and performed an audit of specific account balances and classes of transactions to ensure that balances which were material to the group were subject to audit procedures.

The approach gave the audit team 96% coverage on gross assets and 97% coverage on loss for the year.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty related to going concern section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our scope addressed this matter
<u>Carrying Value of Exploration Assets (Note 11)</u> The group holds intangible assets of £18.5m in relation to capitalised exploration costs in respect of its projects in Slovenia. There is the risk that these assets have been incorrectly capitalized in accordance with IFRS 6 and that there are indicators of impairment as at 31 December 2021. Particularly for early-stage exploration projects where the calculation of recoverable amount via value in use calculations is not possible, management's assessment of impairment under International Financial Reporting Standard ('IFRS') 6 requires estimation and judgement. For this reason, along with the financial significance of the account balance, we have assessed this to be a key audit matter. In addition there are a number of disputes ongoing in relation to Slovenian assets, including claims brought by the company against the Republic of Slovenia under the Energy Charter Treaty and the UK-Slovenia Bilateral Investment Treaty, and commercial disputes between the company and its JV partner Geoenergo and JV service provider Petrol Geo. These disputes present a further risk of overstatement of these assets.	Our work in this area included: - Confirmation that the group has good title to the applicable licences. - Review of capitalised costs including consideration of appropriateness for capitalisation under IFRS 6. - Assessment of progress at the individual projects during the year and post year-end and discussions with management surrounding their intentions thereon; - Consideration of management's impairment reviews, including challenge to all key assumptions and sensitivity to reasonably possible changes; and - Review of disclosures made surrounding exploration assets to ensure compliance with IFRS. Based on the audit work performed, we do not consider exploration assets as at 31 December 2021 to be materially misstated. It is however important to draw user's attention to the fact that the recoverable value of the exploration assets is dependent on the group's JV partner obtaining the necessary renewals of concession contract beyond November 2023, the current expiry date, and positive outcome of the disputes in Slovenia enabling the group to obtain the necessary permit approvals going forward. Failure to obtain the necessary concession contract renewal, or unfavourable outcome in the disputes mentioned is likely to result in an impairment to the carrying value of

Key Audit Matter	How our scope addressed this matter
	exploration assets held. We also draw attention to post balance sheet events as disclosed in the Chief Executive Officer's statement in relation to amendments to Slovenian Mining Law. While we are satisfied these conditions did not exist at the year end, and therefore that exploration assets are not materially misstated in the financial statements, we note that the outcome of these changes could result in impairment to these assets in subsequent periods.
<u>Carrying Value of Producing Assets (Note 10)</u> At 31 December 2021, the carrying value of the producing assets in relation to the group's Petisovci project in Slovenia are £21.1m. Management are required to assess the producing assets for impairment indicators under IAS 36. In this case, impairment indicators include but are not limited to disruption in operations due to disputes in Slovenian as detailed above. The production levels in Slovenia have not yet reached the desired levels and no significant progress has been made in relation to the ongoing dispute with the Republic of Slovenia, as well as continue disputes between the company and its JV partner. The carrying value and ultimate recoverability of the assets is linked to outcome of these disputes and appropriate renewal of the concession contract. There is a risk that the carrying value of these assets is overstated as management's assessment of carrying value is based on estimates and judgements regarding future cashflows. For this reason along with the financial significance of the account balance, we have assessed this to be a key audit matter.	Our work in this area included: • Review of capitalised costs including consideration of appropriateness for capitalisation under IAS 16.; • Consideration of management's impairment reviews, including challenge to all key assumptions and sensitivity to reasonably possible changes in the impairment model; • Reviewing the latest developments regarding the permit applications, including obtaining relevant correspondence where appropriate and any legal advice obtained by the group; • Contacting the company's legal advisers involved in the disputes in Slovenia and obtaining their opinion regarding possible outcome and status; and • Review of disclosures made surrounding producing assets to ensure compliance with IFRS. Based on the audit work performed, we do not consider producing assets as at 31 December 2021 to be materially misstated. It is however important to draw user's attention to the fact that the recoverable value of the producing assets is dependent on the group's JV partner obtaining the necessary renewals of concession contract beyond November 2023, the current expiry date, and positive outcome of the disputes in Slovenia enabling the group to obtain the necessary permit approvals going forward. Failure to obtain the necessary concession contract renewal, or unfavourable outcome in the disputes mentioned is likely to result in an impairment to the carrying value of producing assets held. We also draw attention to post balance sheet events as disclosed in the Chief Executive Officer's statement in relation to amendments to Slovenian Mining Law. While we are satisfied these conditions did not exist at the year end, and therefore that producing assets are not materially misstated in the financial statements, we note that the outcome of these changes could result in impairment to these assets in subsequent periods.
<u>Recoverability of investments and intragroup receivables (Parent Company) (Note 12)</u> At 31 December 2021, the Investments in subsidiaries are £16.1m and intragroup receivables are £27.5m. These	Our work in this area included: • Confirmation of ownership of investments;

Key Audit Matter	How our scope addressed this matter
balances are the most significant assets in the parent company's financial statements. The recoverability of these balances is directly linked to the recoverability of the tangible and intangible assets held by those entities, and hence there is a risk these are not be fully recoverable. The recoverability of the underlying assets are subject to significant management estimate and judgement regarding future cashflows as noted above. For this reason along with the financial significance of the account balance, we have assessed this to be a key audit matter.	• Consideration of recoverability of investments and intragroup loans by reference to underlying net asset values and projects; and • Review of disclosures made surrounding investments in subsidiaries to ensure compliance with IFRS. Based on the audit work performed, we do not consider investments and intragroup receivables as at 31 December 2021 to be materially misstated. We draw attention to the findings disclosed within the other Key audit matters above which are also relevant to the future recoverability of these balances.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors Responsibilities, the directors are responsible for the preparation of the group and parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group and parent company financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research, application of cumulative audit knowledge and experience of the sector. This is evidenced by discussion of laws and regulations with the management, reviewing minutes of meetings of those charged with governance and Regulatory News Service (RNS) and review of legal or professional expenditures. As for the Slovenian company, which is a key component, we have obtained an understanding of local laws and regulations as they apply to the group through industry knowledge, discussion with management, liaising with external lawyers engaged by the company in respect of specific matters, and review of relevant correspondence and documentation relating to exploration and producing assets.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from Companies Act 2006, AIM rules, and local laws and regulations in Slovenia relating to exploration and production.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:
 - Discussion with management regarding potential non-compliance;
 - Review of legal and professional fees to understand the nature of the costs and the existence of any non-compliance with laws and regulations; and
 - Review of minutes of meetings of those charged with governance and RNS announcements.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, we did not identify any significant fraud risks.

As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business and review of the bank statements during the year to identify any large and unusual transactions where the business rationale is not clear.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Joseph Archer (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor
30 June 2022

15 Westferry Circus
Canary Wharf
London E14 4HD

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 £ '000s	Year ended 31 December 2020 £ '000s
Revenue	2	—	—
Cost of sales	2	(19)	(120)
Depreciation of oil & gas assets	10	(328)	(397)
Gross loss		(347)	(517)
Administrative expenses	3	(1,596)	(2,279)
Operating loss		(1,943)	(2,796)
Finance cost	5	(28)	(35)
Net finance costs		(28)	(35)
Loss before taxation		(1,971)	(2,831)
Income tax expense	6	—	—
Loss for the year		(1,971)	(2,831)
Other comprehensive income			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		(1,621)	1,327
Total comprehensive income for the year		(3,592)	(1,504)
Earnings per share			
Basic & fully diluted loss per share (Pence)	8	(1.83)	(4.66)

The Notes on pages 44 to 73 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

Company Number: 05239285

As at 31 December 2021

		31 December 2021 £ '000s	31 December 2020 £ '000s
Assets	Notes		
Non-current assets			
Property, plant and equipment	10	21,111	22,783
Exploration and evaluation costs	11	18,463	18,753
Goodwill	9	653	653
Prepaid abandonment fund	12	300	300
Total non-current assets		40,527	42,489
Current assets			
Trade and other receivables	13	8	66
Cash and cash equivalents	25	97	115
Total current assets		105	181
Total assets		40,632	42,670
Equity and liabilities			
Attributable to the equity holders of the Parent Company			
Share capital	20	7,998	7,928
Share premium account		75,021	73,863
Merger reserve		570	570
Equity reserve		-	73
Share-based payment reserve	24	2,129	2,129
Translation reserves		(594)	1,027
Retained earnings		(46,566)	(44,595)
Total equity attributable to the shareholders		38,558	40,995
Total equity		38,558	40,995
Non-current liabilities			
Borrowings	15	536	197
Provisions	16	312	328
Total non-current liabilities		848	525
Current liabilities			
Borrowings	15	5	5
Contingent consideration on acquisition	17	450	450
Trade and other payables	18	771	695
Total current liabilities		1,226	1,150
Total liabilities		2,074	1,675
Total equity and liabilities		40,632	42,670

The Notes on pages 44 to 73 are an integral part of these consolidated financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 30 June 2022 signed on its behalf by:



James Parsons
Executive Chairman
30 June 2022

Company Statement of Financial Position

Company Number: 05239285

As at 31 December 2021

	Notes	31 December 2021 £ '000s	31 December 2020 £ '000s
Assets			
Non-current assets			
Property, plant and equipment		-	-
Investment in subsidiaries and joint ventures	12	16,102	16,096
Intercompany receivables	22	27,520	27,447
Total non-current assets		43,622	43,543
Current assets			
Trade and other receivables	14	28	68
Cash and cash equivalents	25	88	107
Total current assets		116	175
Total assets		43,738	43,718
Equity and liabilities			
Share capital	20	7,998	7,928
Share premium account		75,021	73,863
Merger reserve		570	570
Equity reserve		-	73
Share-based payment reserve		2,129	2,129
Retained loss		(43,464)	(41,914)
Total equity		42,254	42,649
Non-current liabilities			
Borrowings	15	536	197
Total non-current liabilities		536	197
Current liabilities			
Borrowings	15	5	5
Contingent consideration on acquisition	17	450	450
Trade and other payables	19	493	417
Total current liabilities		948	872
Total liabilities		1,484	1,069
Total equity and liabilities		43,738	43,718

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company has not been separately presented in these accounts. The Company loss for the year was £1,550,000 (2020: loss of £2,060,000).

The Notes on pages 44 to 73 are an integral part of these consolidated financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 30 June 2022 and signed on its behalf by:



James Parsons
Executive Chairman
30 June 2022

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital £ '000s	Share premium £ '000s	Merger reserve £ '000s	Equity reserve £ '000s	Share based payment reserve £ '000s	Translation reserve £ '000s	Retained earnings £ '000s	Total £ '000s
Balance at 1 January 2020	7,604	72,330	570	-	1,873	(300)	(41,964)	40,113
Comprehensive income								
Loss for the year	-	-	-	-	-	-	(2,831)	(2,831)
Other comprehensive income								
Currency translation differences	-	-	-	-	-	1,327	-	1,327
Total comprehensive income	-	-	-	-	-	1,327	(2,831)	(1,504)
Transactions with owners								
Issue of ordinary shares	324	1,713	-	-	-	-	-	2,037
Costs related to share issues	-	(180)	-	-	-	-	-	(180)
Equity value of convertible loan note	-	-	-	73	-	-	-	73
Share-based payments and expiry of options	-	-	-	-	256	-	200	456
Total transactions with owners	324	1,533	-	73	256	-	200	2,386
Balance at 31 December 2020	7,928	73,863	570	73	2,129	1,027	(44,595)	40,995
Balance at 1 January 2021	7,928	73,863	570	73	2,129	1,027	(44,595)	40,995
Comprehensive income								
Loss for the year	-	-	-	-	-	-	(1,971)	(1,971)
Other comprehensive income								
Currency translation differences	-	-	-	-	-	(1,621)	-	(1,621)
Total comprehensive income	-	-	-	-	-	(1,621)	(1,971)	(3,592)
Transactions with owners								
Issue of ordinary shares	70	1,216	-	-	-	-	-	1,286
Costs related to share issues	-	(58)	-	-	-	-	-	(58)
Equity value of convertible loan note	-	-	-	(73)	-	-	-	(73)
Total transactions with owners	70	1,158	-	(73)	-	-	-	1,155
Balance at 31 December 2021	7,998	75,021	570	-	2,129	(594)	(46,566)	38,558
Notes	20				24			

The Notes on pages 44 to 73 are an integral part of these consolidated financial statements.

Company Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital £ '000s	Share premium £'000s	Merger Reserve £'000s	Equity reserve £'000s	Share based payment reserve £'000s	Retained earnings £'000s	Total £ '000s
Balance at 1 January 2020	7,604	72,330	570	-	1,873	(40,054)	42,323
Comprehensive income							
Loss for the year	-	-	-	-	-	(2,060)	(2,060)
Total comprehensive income	-	-	-	-	-	(2,060)	(2,060)
Transactions with owners							
Issue of ordinary shares	324	1,713	-	-	-	-	2,037
Share issuance costs	-	(180)	-	-	-	-	(180)
Equity value of convertible loan note	-	-	-	73	-	-	73
Share-based payments and expiry of options	-	-	-	-	256	200	456
Total transactions with owners	324	1,533	-	73	256	200	2,386
Balance at 31 December 2020	7,928	73,863	570	73	2,129	(41,914)	42,649
Balance at 1 January 2021	7,928	73,863	570	73	2,129	(41,914)	42,649
Comprehensive income							-
Profit and comprehensive profit for the year	-	-	-	-	-	(1,550)	(1,550)
Total comprehensive income	-	-	-	-	-	(1,550)	(1,550)
Transactions with owners							
Issue of ordinary shares	70	1,216	-	-	-	-	1,286
Share issuance costs	-	(58)	-	-	-	-	(58)
Equity value of convertible loan note	-	-	-	(73)	-	-	(73)
Total transactions with owners	70	1,158	-	(73)	-	-	1,155
Balance at 31 December 2021	7,998	75,021	570	-	2,129	(43,464)	42,254

The Notes on pages 44 to 73 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2021

	Year ended 31 December 2021 £ '000s	Year ended 31 December 2020 £ '000s
Cash flows from operations		
Loss after tax for the year	(1,971)	(2,831)
Depreciation	328	397
Change in receivables	42	188
Change in payables	75	232
Increase in share-based payments	12	456
Exchange differences	42	212
Net cash used in operating activities	(1,472)	(1,346)
Cash flows from investing activities		
Payments for fixed assets	(3)	-
Net cash used in investing activities	(3)	-
Cash flows from financing activities		
Interest paid and other finance fees	-	(35)
Loans advanced	375	300
Loans repaid	-	(417)
Interest paid	-	-
Proceeds from issue of shares	1,140	1,648
Share issue costs	(58)	(180)
Net cash generated from financing activities	1,457	1,386
Net (decrease) / increase in cash and cash equivalents for the year	(18)	38
Effect of foreign exchange differences	-	-
Cash and cash equivalents at beginning of the year	115	77
Cash and cash equivalents at end of the year	97	115

The Notes on pages 44 to 73 are an integral part of these consolidated financial statements.

Company Cash Flow Statement

For the year ended 31 December 2021

	Year ended 31 December 2021 £ '000s	Year ended 31 December 2020 £ '000s
Cash flows from operations		
Profit after tax for the year	(1,550)	(2,060)
Adjustments for:		
Change in receivables	42	128
Change in payables	76	242
Change in intercompany receivables	(79)	(302)
Increase in share-based payments	12	456
Exchange differences	22	130
Net cash used in operating activities	(1,477)	(1,006)
Cash flows from investing activities		
Advances to subsidiaries	–	(267)
Investment in subsidiaries	–	–
Net cash used in investing activities	–	(267)
Cash flows from financing activities		
Interest paid and other finance fees	–	(35)
Loans advanced	375	300
Loans repaid	–	(417)
Interest paid	–	–
Proceeds from issue of shares	1,140	1,648
Share issue costs	(58)	(180)
Net cash generated from financing activities	1,457	1,316
Net (decrease) / increase in cash and cash equivalents for the year	(19)	43
Effect of foreign exchange differences	–	–
Cash and cash equivalents at beginning of the year	107	64
Cash and cash equivalents at end of the year	88	107

The Notes on pages 44 to 73 are an integral part of these consolidated financial statements.

Notes to the Accounts

1. Accounting policies

Reporting entity

Ascent Resources plc (Company no: 05239285) ('the Company' or 'Ascent') is a company domiciled and incorporated in England. The address of the Company's registered office is 5 New Street Square, London, EC4A 3TW. The consolidated financial statements of the Company for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the 'Group'). The Parent Company financial statements present information about the Company as a separate entity and not about its Group.

The Company is admitted to AIM, a market of the London Stock Exchange.

Statement of compliance

The financial statements of the Group and Company have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006.

The Group's and Company's financial statements for the year ended 31 December 2021 were approved and authorised for issue by the Board of Directors on 30 June 2022 and the Statements of Financial Position were signed on behalf of the Board by James Parsons.

Both the Parent Company financial statements and the Group financial statements give a true and fair view and have been prepared and approved by the Directors in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006.

Basis of preparation

In publishing the Parent Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements. The Company loss for the year was £1,550,000 (2020: loss of £2,060,000).

The presentational currency of the Group is British Pounds Sterling ("GBP") and the functional currency of the Group's subsidiaries domiciled outside of the UK in Malta, Slovenia and Netherlands are in Euros ("EUR").

Measurement Convention

The financial statements have been prepared under the historical cost convention. The financial statements are presented in sterling and have been rounded to the nearest thousand (£'000s) except where otherwise indicated.

The principal accounting policies set out below have been consistently applied to all periods presented.

Going Concern

The Financial Statements of the Group have been prepared on a going concern basis. The Directors consider the Group to be a going concern and therefore that it is appropriate to prepare the accounts on said basis.

The Company has raised £0.6 million in new equity since the balance sheet date from new and existing investors. Under the Group's forecasts, the funds raised together with existing bank balances provide sufficient funding for at least the next two months, as of the date of the publication of this report, based on anticipated outgoings and in the absence of the receipt of revenues from production.

In addition to the need to raise additional funding in the next two month, the forecasts are sensitive to the timing and cash flows associated with the continuing situation in Slovenia, and discretionary spend incurred with executing on the ESG Metals Strategy through acquisition. As such, the Company will need to raise new capital within the forecast period to fund such discretionary spend.

Based on historical and recent support from new and existing investors the Board believes that such funding, if and when required, could be obtained through new debt or equity issuances. However, the ability to raise these funds is not guaranteed at the date of signing these financial statements. The auditors have made reference to going concern by way of a material uncertainty.

Notes to the Accounts continued

New and amended Standards effective for 31 December 2021 year-end adopted by the Group:

- i. The following IFRS or IFRIC interpretations were effective for the first time for the financial year beginning 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

Standard	Description
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate benchmark reform – Phase 2

The new standards effective from 1 January 2021, as listed above, did not have a material effect on the Group's financial statements.

- ii. Standards, amendments and interpretations, which are effective for reporting periods beginning after the date of these financial statements which have not been adopted early:

Standard	Description	Effective date
IFRS 3 amendments	Business Combinations – Reference to the Conceptual Framework	1 January 2022*
IAS 16 amendments	Property, Plant and Equipment	1 January 2022*
IAS 37 amendments	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022*
N/A	Annual Improvements to IFRS Standards 2018–2020 Cycle:	1 January 2022*
IAS 1 amendments	Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023*
IAS 8 amendments	Accounting policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1 January 2023*
IAS 12 amendments	Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023*

**Subject to UK endorsement*

There are no IFRS's or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company or Group.

1. Accounting policies continued

Estimates and judgements

Exploration and evaluation assets (Note 11) – exploration and evaluation costs are initially classified and held as intangible fixed assets rather than being expensed. The carrying value of intangible exploration and evaluation assets are then determined. Management considers these assets for indicators of impairment under IFRS 6 at least annually based on an estimation of the recoverability of the cost pool from future development and production of the related oil and gas reserves which requires judgement. This assessment includes assessment of the underlying financial models for the Petišovci field and requires estimates of gas reserves, production, gas prices, operating and capital costs associated with the field and discount rates (see Note 10) using the fair value less cost to development method which is commonplace in the oil and gas sector. The forecasts are based on the JV partners submitting and obtaining approval for an environmental impact assessment, and also the renewal of the concessions that are currently scheduled to expire in November 2023. The Board considers these factors to be an ordinary risk for oil and gas developments. In April 2022, the Republic of Slovenia approved amendments to its Mining Law which include a total ban on hydraulic stimulation. Consequently, the Company does now nor expect to be able to complete certain workstreams pertaining to existing wells and is now reviewing future field development. The carrying value of exploration assets at 31 December 2021 was £18,463,000 (2020: £18,753,000) and as at the reporting date when the Company conducted its impairment review, fully expected any revision of the Mining Law to continue to permit low volume hydraulic stimulation.

Reserves – Reserves are proven, and probable oil and gas reserves calculated on an entitlement basis and are integral to the assessment of the carrying value of the exploration, evaluation and production assets. Estimates of commercial reserves include estimates of the amount of oil and gas in place, assumptions about reservoir performance over the life of the field and assumptions about commercial factors which, in turn, will be affected by the future oil and gas price. (See page 15)

Carrying value of property, plant and equipment (developed oil and gas assets) (Note 10) – developed oil and gas assets are assessed for indicators of impairment and tested for impairment at each reporting date when indicators of impairment exist. An impairment test was performed based on a discounted cash flow model using a fair value less cost to develop approach commonplace within the oil and gas sector. Key inputs requiring judgment and estimate included gas prices, production and reserves, future costs and discount rates. With regard to the financial inputs, a weighted average cost of capital ("WACC") was used as the discount rate, and calculated as 12.0% (post-tax, nominal) and for gas prices, the Company has used a combination of futures rates for the local region.

Gas prices in the near term are forecast based on management's expectation of market prices less deductions under the INA contract, before reverting to market prices with reference to the forward curve following the approval of the IPPC permit and transition to gas sales taking place into the Slovenian market. The forecasts include future well workovers to access the reserves included in the model together with the wider estimated field development costs to access field reserves. Refer to Note 9. As with the exploration and evaluation assets, judgment was required regarding the likelihood of the necessary environmental permits being granted and the status of legal matters which are key to the commercial value of the assets. In April 2022, the Republic of Slovenia approved amendments to its Mining Law which include a total ban on hydraulic stimulation. Consequently, the Company does now nor expect to be able to complete certain workstreams pertaining to existing wells and is now reviewing future field development. The impairment test conducted as at the reporting date fully expected any revision of the Mining Law to continue to permit low volume hydraulic stimulation, and as such demonstrates significant headroom.

Depreciation of property, plant and equipment (Note 10) – Upon commencing commercial production we began to depreciate the assets associated with current production. The depreciation on a unit of production basis requires judgment and estimation in terms of the applicable reserves over which the assets are depreciated and the extent to which future capital expenditure is included in the depreciable cost when such expenditure is required to extract the reserve base. The calculations have been based on actual production, estimates of P50 reserves and best estimates of the future workover costs on the producing wells to extract this reserve. The depreciation charge for the year was £328,000 (2020: £397,000) including both depreciation associated with the unit of production method and straight-line charges for existing processing infrastructure. This is included in Notes 9 and 10 below.

Deferred tax (Note 6) – judgment has been required in assessing the extent to which a deferred tax asset is recorded, or not recorded, in respect of the Slovenian operations. Noting the history of taxable losses and the initial phases of production, together with assessment of budgets and forecasts of tax in 2021 the Board has concluded that no deferred tax asset is yet applicable. This is included at Note 7.

Notes to the Accounts continued

Intercompany receivables (Note 22) – In line with the requirements of IFRS 9 the Board has carried out an assessment of the potential future credit loss on intercompany receivables under a number of scenarios. Arriving at the expected credit loss allowance involved considering different scenarios for the recovery of the intercompany loan receivables, the possible credit losses that could arise and the probabilities for these scenarios. The Company would suffer a credit loss where the permits necessary for the development of the field are not obtained and a court case for damages against the Republic of Slovenia is unsuccessful. Based on legal advice received in relation to the permit process and the strength of our case we consider the risk of credit loss to be relatively limited. A provision of £4.8 million has been recognised in the Company accounts against a receivable of £32 million (2020: £32 million).

Investments (note 12) – Judgement has been made in respect of the carrying value of the Company's carrying value of its investments in the subsidiaries. The process for this is the same as the consideration given in respect of both Intangible Assets and Property, Plant and Equipment (see above).

Basis of consolidation (Note 12) – Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Inter-company transactions and balances between Group companies are therefore eliminated in full.

The results of undertakings acquired or disposed of are consolidated from or to the date when control passes to or from the Group. The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Income Statement from the date that control commences until the date that control ceases.

Where necessary, adjustments are made to the results of subsidiaries to bring the accounting policies they use into line with those used by the Group.

Business combinations (Note 9) – Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair value of assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity instruments issued by the Group;
- fair value of any asset or liability resulting from contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any noncontrolling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the noncontrolling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest and fair value of pre-existing equity interest over the fair value of net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets acquired, the difference is recognised immediately in profit or loss as a gain on bargain purchase.

Joint arrangements – The Group is party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either joint ventures, where the Group has rights to only the net assets of the joint arrangement, or joint operations where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

1. Accounting policies continued

All of the Group's joint arrangements are classified as joint operations. The Group accounts for its interests in joint operations by recognising its assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

The Group has one joint arrangement, the Petišovci joint venture in Slovenia in which Ascent Slovenia Limited (a 100% subsidiary of Ascent Resources plc) has a 75% working interest, however whilst in a cost recovery position the Company is entitled to 90% of hydrocarbon revenues produced.

Oil and Gas Exploration Assets

All licence/project acquisitions, exploration and appraisal costs incurred or acquired on the acquisition of a subsidiary, are accumulated in respect of each identifiable project area. These costs, which are classified as intangible fixed assets are only carried forward to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Pre-licence/project costs are written off immediately. Other costs are also written off unless commercial reserves have been established or the determination process has not been completed. Thus, accumulated cost in relation to an abandoned area are written off in full to the statement of comprehensive income in the year in which the decision to abandon the area is made.

Transfer of exploration assets to property, plant and equipment – Assets, including licences or areas of licences, are transferred from exploration and evaluation cost pools to property, plant and equipment when the existence of commercially feasible reserves has been determined and the Group concludes that the assets can generate commercial production. This assessment considers factors including the extent to which reserves have been established, the production levels and margins associated with such production. The costs transferred comprise direct costs associated with the relevant wells and infrastructure, together with an allocation of the wider unallocated exploration costs in the cost pool such as original acquisition costs for the field. The producing assets start to be depreciated following transfer.

Depreciation of property plant and equipment – The cost of production wells is depreciated on a unit of production basis. The depreciation charge is calculated based on total costs incurred to date plus anticipated future workover expenditure required to extract the associated gas reserves. This depreciable asset base is charged to the income statement based on production in the period over their expected lifetime P50 production extractable from the wells per the field plan. The infrastructure associated with export production is depreciated on a straight-line basis over a two-year period as this is the anticipated period over which this infrastructure will be used.

Impairment of oil and gas exploration assets

Exploration/appraisal assets are reviewed regularly for indicators of impairment following the guidance in IFRS 6 'Exploration for and Evaluation of Mineral Resources' and tested for impairment where such indicators exist.

In accordance with IFRS 6 the Group considers the following facts and circumstances in their assessment of whether the Group's oil and gas exploration assets may be impaired:

- whether the period for which the Group has the right to explore in a specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- whether substantive expenditure on further exploration for and evaluation of mineral resources in a specific area is neither budgeted nor planned;
- whether exploration for and evaluation of oil and gas reserves in a specific area have not led to the discovery of commercially viable quantities of oil and gas and the Group has decided to discontinue such activities in the specific area; and
- whether sufficient data exists to indicate that although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation assets is unlikely to be recovered in full from successful development or by sale.

If any such facts or circumstances are noted, the Group, as a next step, perform an impairment test in accordance with the provisions of IAS 36. In such circumstances the aggregate carrying value of the oil and gas exploration and assets is compared against the expected recoverable amount of the cash generating unit. The recoverable amount is the higher of value in use and the fair value less costs to sell.

Notes to the Accounts continued

The Group has identified one cash generating unit, the wider Petišovci project in Slovenia. Any impairment arising is recognised in the Income Statement for the year.

Where there has been a charge for impairment in an earlier period that charge will be reversed in a later period where there has been a change in circumstances to the extent that the discounted future net cash flows are higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying values or the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior periods.

Impairment of development and production assets and other property, plant and equipment

At each balance sheet date, the Group reviews the carrying amounts of its PP&E to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell (otherwise referred to as fair value less cost to develop in the oil and gas sector) and value in use. Fair value less costs to sell is determined by discounting the post-tax cash flows expected to be generated by the cash-generating unit, net of associated selling costs, and takes into account assumptions market participants would use in estimating fair value including future capital expenditure and development cost for extraction of the field reserves. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Decommissioning costs

Where a material obligation for the removal of wells and production facilities and site restoration at the end of the field life exists, a provision for decommissioning is recognised. The amount recognised is the one-off amount to the Company's JV partner as per the Revised Joint Venture Agreement.

Foreign currency

The Group's strategy is focussed on developing oil and gas projects and ESG metals funded by shareholder equity and other financial assets which are principally denominated in sterling. The functional currency of the Company is sterling.

Transactions in foreign currency are translated to the respective functional currency of the Group entity at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated to the functional currency at the rates prevailing on the reporting date. Exchange gains and losses on short-term foreign currency borrowings and deposits are included with net interest payable.

The assets and liabilities of foreign operations are translated to sterling at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to sterling at the average rate ruling during the period. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity. Foreign exchange differences arising on inter-company loans considered to be permanent as equity are recorded in equity. The exchange rate from euro to sterling at 31 December 2021 was £1: €1.1900 (2020: £1: €1.1192).

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated income statement as part of the profit or loss on disposal.

1. Accounting policies continued

Exchange differences on all other transactions, except inter-company foreign currency loans, are taken to operating loss.

Taxation (Note 6)

The tax expense represents the sum of the tax currently payable and any deferred tax.

The tax currently payable is based on the estimated taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using the expected tax rate applicable to annual earnings.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Equity-settled share-based payments

The cost of providing share-based payments to employees is charged to the income statement over the vesting period of the related share options or share allocations. The cost is based on the fair values of the options and shares allocated determined using the binomial method. The value of the charge is adjusted to reflect expected and actual levels of vesting. Charges are not adjusted for market related conditions which are not achieved. Where equity instruments are granted to persons other than directors or employees the Consolidated Income Statement is charged with the fair value of any goods or services received.

Grants of options in relation to acquiring exploration assets in licence areas are treated as additions to Slovenian exploration costs at Group level and increases in investments at Company level.

Provisions (Note 16)

A provision is recognised in the Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by estimating the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Convertible loan notes

Upon issue of a new convertible loan, where the convertible option is at a fixed rate, the net proceeds received from the issue of CLNs are split between a liability element and an equity component at the date of issue. The fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the CLNs and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity and is not remeasured.

Subsequent to the initial recognition the liability component is measured at amortised cost using the effective interest method.

When there are amendments to the contractual loan note terms these terms are assessed to determine whether the amendment represents an inducement to the loan note holders to convert. If this is considered to be the case the estimate of fair value adjusted as appropriate and any loss arising is recorded in the income statement.

Where there are amendments to the contractual loan note terms that are considered to represent a modification to the loan note, without representing an inducement to convert, the Group treats the transaction as an extinguishment of the existing convertible loan note and replaces the instrument with a new convertible loan note. The fair value of the liability component is estimated using the prevailing market interest rate for similar nonconvertible debt. The fair value of the conversion right is recorded as an increase in equity. The previous equity reserve is reclassified to retained loss. Any gain or loss arising on the extinguishment of the instrument is recorded in the income statement, unless the transaction is with a counterparty considered to be acting in their capacity as a shareholder whereby the gain or loss is recorded in equity.

Notes to the Accounts continued

Where the loan note is converted into ordinary shares by the loan note holder; the unaccreted portion of the loan notes is transferred from the equity reserve to the liability; the full liability is then converted into share capital and share premium based on the conversion price on the note.

Non-derivative financial instruments

Non-derivative financial instruments comprise of investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Financial instruments

Classes and categories

Financial assets that meet the following conditions are measured subsequently at amortised cost using effective interest rate method:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets for which the amount of future receipts are dependent upon the Company's share price over the term of the instrument do not meet the criteria above and are recorded at fair value through profit and loss.

Measurement

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Impairment

For trade receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available. The Group's trade receivables are generally settled on a short time frame without material credit risk.

The Group recognises a loss allowance for expected credit losses on financial assets which are measured at amortised cost. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a twelve-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next twelve months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Lifetime expected credit losses (ECLs) for intercompany loan receivables are based on the assumptions that repayment of the loans are demanded at the reporting date due to the fact that the loan is contractually repayable on demand. The subsidiaries do not have sufficient funds in order to repay the loan if demanded and therefore the expected manner of recovery to measure lifetime expected credit losses is considered. A range of different recovery strategies and credit loss scenarios are evaluated using reasonable and supportable external and internal information to assess the likelihood of recoverability of the balance under these scenarios.

1. Accounting policies continued

Financial liabilities at amortised cost

Financial liabilities are initially recognised at fair value net of transaction costs incurred. Subsequent to initial measurement financial liabilities are recognised at amortised costs. The difference between initial carrying amount of the financial liabilities and their redemption value is recognised in the income statement over the contractual terms using the effective interest rate method. This category includes the following classes of the financial liabilities, trade and other payables, bonds and other financial liabilities. Financial liabilities at amortised costs are classified as current or non-current depending on whether these are due within 12 months after the balance sheet date or beyond.

Financial liabilities are derecognised when either the Group is discharged from its obligation, they expire, are cancelled, or replaced by a new liability with substantially modified terms.

Warrants

Warrants granted as part of a financing arrangement which fail the fixed-for-fixed criteria as a result of either the consideration to be received or the number of warrants to be issued is variable, are initially recorded at fair value as a financial liability and charged as transaction cost deducted against the loan and held subsequently at fair value. Subsequently the derivative liability is revalued at each reporting date with changes in the fair value recorded within finance income or costs.

Equity

Share capital is determined using the nominal value of shares that have been issued.

Share based payments relate to transactions where the Group receives services from employees or service providers and the terms of the arrangements include payment of a part or whole of consideration by issuing equity instruments to the counterparty. The Group measures the services received from non-employees, and the corresponding increase in equity, at the fair value of the goods or services received. When the transactions are with employees, the fair value is measured by reference to the fair value of the shares issued. The expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied

Equity-settled share-based payments are credited to a share-based payment reserve as a component of equity until related options or warrants are exercised or lapse.

The Translation reserve comprises the exchange differences from translating the net investment in foreign entities and of monetary items receivable from subsidiaries for which settlement is neither planned nor likely in the foreseeable future

Retained losses includes all current and prior period results as disclosed in the income statement.

Investments and loans

Shares and loans in subsidiary undertakings are shown at cost. Provisions are made for any impairment when the fair value of the assets is assessed as less than the carrying amount of the asset. Inter-company loans are repayable on demand but are included as non-current as the realisation is not expected in the short term.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Chief Executive Officer ("CEO").

Revenue recognition

Sales represent amounts received and receivable from third parties for goods and services rendered to the customers. Sales are recognised when control of the goods has transferred to the customer. Condensate, which is collected at a separating station and transported via trucks to a customer in Hungary is recorded on delivery according to the terms of the contract. At this point in time, the performance obligation is satisfied in full with title, risk, entitlement to payment and customer possession confirmed. Revenue is measured as the amount of consideration which the Group expects to receive, based on the market price for gas and condensate after deduction of costs agreed per the Restated Joint Operating Agreement ("RJOA") and sales taxes. The Company follows the five step process set out in IFRS 15 for revenue recognition.

Revenue is derived from the production of hydrocarbons under the Petišovci Concession, which Ascent Slovenia Limited holds a 75% working interest, however whilst in a cost recovery position the Company is entitled to 90% of hydrocarbon revenues produced. Under the terms of the RJOA, and in accordance with Slovenian law, the concession holder retains the rights to all hydrocarbons produced. The concession holder enters into sales agreements with customers and transfers the relevant portion of hydrocarbon sales to Ascent Slovenia Limited for the services it provides under the RJOA.

Notes to the Accounts continued

1. Accounting policies continued

During the year the information required to determine the transaction price of the revenues relating to producing assets under the Petišovci Concession was not available. The contractual terms under the Joint arrangement in Slovenia are under dispute and it was therefore unclear at the year end whether the performance obligations had been met. For these reasons, no revenue has been recognised during the year in accordance with IFRS 15.

Payments are typically received around 30 days from the end of the month during which delivery has occurred. There are no balances of accrued or deferred revenue at the balance sheet date.

Under the RJOA, the Group is entitled to 90% of hydrocarbon revenues produced whilst in a cost recovery position in the Petišovci area and the Group records revenue on the entitlement basis accordingly.

Credit terms are agreed per RJOA contract and are short term, without any financing component.

The Group has no sales returns or reclamations of services since it has only one customer. Sales are disaggregated by geography.

Goodwill

Goodwill arising from business combinations is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Contingent Consideration

Contingent consideration is measured at fair value at the time of the business combination and is considered in the determination of goodwill.

Contingent Liability

A contingent liability is recognised when the group has a possible obligation (legal or constructive), as a result of a past event, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group, or the amount of the obligation cannot be measured with sufficient reliability.

If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

Contingent Asset

A contingent asset is recognised when the group has a possible asset, as a result of a past event, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group.

Such contingent assets are only recognised as assets in the financial statements where the realisation of income is virtually certain. If the inflow of economic benefits is only probable, the contingent asset is disclosed as a claim in favour of the group but not recognised in the statement of financial position.

2. Segmental Analysis

The Group has two reportable segments, an operating segment and a head office segment, as described below. The operations and day to day running of the business are carried out on a local level and therefore managed separately. The operating segment reports to the UK head office which evaluates performance, decide how to allocate resources and make other operating decisions such as the purchase of material capital assets and services. Internal reports are generated and submitted to the Group's CEO for review on a monthly basis.

The operations of the Group as a whole are the exploration for, development and production of oil and gas reserves.

The two geographic reporting segments are made up as follows:

Slovenia	exploration, development and production
UK	head office

The costs of exploration and development works are carried out under shared licences with joint ventures and subsidiaries which are co-ordinated by the UK head office. Segment revenue, segment expense and segment results include transfers between segments. Those transfers are eliminated on consolidation. Information regarding the current and prior year's results for each reportable segment is included below.

2. Segmental Analysis continued

2021	UK £ '000s	Slovenia £ '000s	Elims £ '000s	Total £ '000s
Hydrocarbon sales	-	-	-	-
Intercompany sales	-	13	(13)	-
Total revenue	-	13	(13)	-
Cost of sales	-	(19)	-	(19)
Administrative expenses	(1,520)	(89)	13	(1,596)
Material non-cash items				
Depreciation	(0)	(328)	-	(328)
Net finance costs	(27)	(1)	-	(28)
Reportable segment profit/(loss) before tax	(1,547)	(424)	-	(1,971)
Taxation	-	-	-	-
Reportable segment profit/(loss) after taxation	(1,547)	(424)	-	(1,971)
Reportable segment assets				
Carrying value of exploration assets	-	18,753	-	18,753
Additions to exploration assets	-	-	-	-
Effect of exchange rate movements	-	(290)	-	(290)
Total plant and equipment	-	21,111	-	21,111
Prepaid abandonment fund	-	300	-	300
Investment in subsidiaries	16,099	-	(15,446)	653
Intercompany receivables	27,526	-	(27,526)	-
Total non-current assets	43,625	39,874	(42,972)	40,527
Other assets	115	(10)	-	105
Consolidated total assets	43,740	38,694	(42,972)	40,632
Reportable segmental liabilities				
Trade payables	(494)	(277)	-	(771)
External loan balances	(541)	-	-	(541)
Inter-group borrowings	-	(32,677)	32,677	-
Other liabilities	(450)	(312)	-	(762)
Consolidated total liabilities	(1,485)	(33,266)	32,677	(2,074)

Notes to the Accounts continued

2. Segmental Analysis continued

2020	UK £ '000s	Slovenia £ '000s	eliminations £ '000s	Total £ '000s
Hydrocarbon sales	-	-	-	-
Intercompany sales	-	267	(267)	-
Total revenue	-	-	-	-
Cost of sales	(10)	(111)		(121)
Administrative expenses	(2,013)	(506)	240	(2,279)
Material non-cash items				
Depreciation	(2)	(395)	-	(397)
Net finance costs	(35)	-	-	(35)
Reportable segment profit/(loss) before tax	(2,060)	(745)	(27)	(2,831)
Taxation	-	-	-	-
Reportable segment profit/(loss) after taxation	(2,060)	(745)	(27)	(2,831)
Reportable segment assets				
Carrying value of exploration assets	-	18,576	-	18,576
Additions to exploration assets	-	-	-	-
Effect of exchange rate movements	-	177		177
Total plant and equipment	-	22,783	-	22,783
Prepaid abandonment fund	-	300	-	300
Investment in subsidiaries	16,096	-	(15,443)	653
Intercompany receivables	27,447	-	(27,447)	-
Total non-current assets	43,543	41,836	(42,890)	42,489
Other assets	175	6	-	181
Consolidated total assets	43,718	41,842	(42,890)	42,670
Reportable segmental liabilities				
Trade payables	(417)	(278)	-	(695)
External loan balances	(202)	-	-	(202)
Inter-group borrowings	-	(35,083)	35,083	-
Other liabilities	(450)	(328)	-	(778)
Consolidated total liabilities	(1,069)	(35,689)	35,083	(1,675)

Revenue from customers

Revenue for 2021 was nil (2020: nil). During the year under review and the prior year, the Company has not recognised revenue due to the ongoing dispute over revenue entitlement with its JV partner Geoenergo. The Company announced in March 2022 that it had elected to invoice for its share of production revenues for the months April 2020 through to February 2022. The performance obligations are set out in the Group's revenue recognition policy. The price for the sale of gas and condensate is set with reference to the market price at the date the performance obligation is satisfied.

Notes to the Accounts continued

3. Operating loss is stated after charging:

	Year ended 31 December 2021 £ '000s	Year ended 31 December 2020 £ '000s
Employee costs	1,067	729
Share based payment charge	-	456
Depreciation	328	397
Auditor's remuneration:		
Audit Fees – PKF	45	43
Fees payable to the company's auditor other services	-	-
	45	43

4. Employees and directors

a) Employees

The average number of persons employed by the Group, including Executive Directors, was:

	Year ended 31 December 2021	Year ended 31 December 2020
Management and technical	7	10

The average number of persons employed by the Company, including Executive Directors, was:

	Year ended 31 December 2021	Year ended 31 December 2020
Management and technical	7	7

b) Directors and employee's remuneration

	Year ended 31 December 2021	Year ended 31 December 2020
Employees & Directors		
Wages and salaries	826	628
Social security costs	145	56
Pension costs	2	7
Bonuses	86	38
Share-based payments	-	456
Taxable benefits	8	-
	1,067	1,185

4. Employees and directors continued

c) Directors' remuneration

Please see Remuneration report on pages 28–30.

5. Finance income and costs recognised in the year

	Year ended 31 December 2021 £ '000s	Year ended 31 December 2020 £ '000s
Finance costs		
Interest charge on loans	(26)	(24)
Bank charges	(2)	(11)
	(28)	(35)

Please refer to Note 15 for a description of financing activity during the year.

6. Income tax expense

	Year ended 31 December 2021 £ '000s	Year ended 31 December 2020 £ '000s
Current tax expense	–	–
Deferred tax expense	–	–
Total tax expense for the year	–	–

The difference between the total tax expense shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	Year ended 31 December 2021 £ '000s	Year ended 31 December 2020 £ '000s
Loss for the year	(1,971)	(2,831)
Income tax using the Company's domestic tax rate at 19% (2020: 19%)	(375)	(537)
Effects of:		
Net increase in unrecognised losses c/f	375	537
Effect of tax rates in foreign jurisdictions	–	–
Other non-deductible expenses	–	–
Total tax expense for the year	–	–

Notes to the Accounts continued

7. Deferred tax – Group and Company

	Year ended 31 December 2021 £ '000s	Year ended 31 December 2020 £ '000s
Group		
Total tax losses – UK and Slovenia	(53,227)	(51,255)
Unrecorded deferred tax asset at 19% (2020: 19%)	9,049	8,713
Company		
Total tax losses	(15,080)	(13,632)
Unrecorded deferred tax asset at 19% (2020: 19%)	1,548	2,317

No deferred tax asset has been recognised in respect of the tax losses carried forward, due to the uncertainty as to when profits will be generated. Refer to critical accounting estimates and judgments.

8. Earnings per share

	Year ended 31 December 2021 £ '000s	Year ended 31 December 2020 £ '000s
Result for the year		
Total loss for the year attributable to equity shareholders	(1,971)	(2,831)
Weighted average number of ordinary shares	Number	Number
For basic earnings per share	108,007,151	60,693,793
Loss per share (Pence)	(1.83)	(4.66)

As the result for the year was a loss, the basic and diluted loss per share are the same. At 31 December 2021, potentially dilutive instruments in issue were 29,262,396 (2020: 65,868,482). Dilutive shares arise from share options and warrants issued by the Company.

9. Business Combinations

There have been no acquisitions during the period.

The Board strategically expect acquisitions to be a common component of growth in the future.

Acquisitions made during the period to 31 December 2020 were:

Energetical Limited (renamed to Ascent Hispanic Resources Limited)

As a first step towards building its Cuban portfolio, the Company acquired 100% of the share capital of Energetical Limited on 13 April 2020. Energetical Limited is a UK Company with exclusive rights to secure a Production Sharing Contract ('PSC') on a producing onshore Cuban oil licence, and this was the primary reason for acquisition. The initial consideration for the acquisition of Energetical comprised of the issue of six million new ordinary shares ("Consideration Shares") to the selling shareholders ("Sellers") of Energetical. A further £450,000 of contingent consideration will be payable on the execution of production sharing contracts covering the 9B Block, of which £350,000 will be satisfied by the issue of new ordinary shares ("Deferred Consideration Shares"), priced at the 30-day VWAP at the time of issue and £100,000 will be paid in cash. The Sellers have agreed not to dispose of any of the Consideration Shares for a period of one year. The Company has agreed to a carve-out to this lock-in which permits the sale of up to an aggregate of one million Consideration Shares following the expiry of an initial three-month period.

9. Business Combinations continued

The amount of identifiable net assets assumed at the acquisition date is shown below:

	Fair Values £ '000s
Recognised amounts of net assets acquired and liabilities assumed	
Identifiable net assets	-
Goodwill	653
Total Consideration	653
Satisfied by:	
Consideration – new ordinary shares issued at 3.38p	203
Contingent consideration	450
Total Consideration	653

The Company successfully attained extensions in April and November 2021 to the exclusive MOU covering the rights to negotiate PSCs with the exclusivity lapsing on 31 December 2021 and the MOU remaining on a non-exclusive basis until the end of April 2022. The value of the goodwill could be impaired depending on future decision taken by the Company.

10. Property, Plant and Equipment – Group

Cost	Computer Equipment £ '000s	Developed Oil & Gas Assets £ '000s	Total £ '000s
At 1 January 2020	6	23,483	23,489
Additions	-	-	-
Effect of exchange rate movements	-	1,111	1,111
At 31 December 2020	6	24,594	24,600
At 1 January 2021	6	24,594	24,600
Additions	5	-	5
Effect of exchange rate movements	-	(1,631)	(1,631)
At 31 December 2021	11	22,963	22,974
Depreciation			
At 1 January 2020	(6)	(1,414)	(1,420)
Charge for the year	0	(397)	(397)
Effect of exchange rate movements	-	-	-
At 31 December 2020	(6)	(1,811)	(1,817)
At 1 January 2021	(6)	(1,811)	(1,817)
Charge for the year	-	(328)	(328)
Effect of exchange rate movements	-	282	282
At 31 December 2021	(6)	(1,857)	(1,863)
Carrying value			
At 31 December 2021	5	21,106	21,111
At 31 December 2020	-	22,783	22,783
At 1 January 2020	6	23,483	23,489

Notes to the Accounts continued

10. Property, Plant and Equipment – Group continued

No impairment has been recognised during the year. During the year the concession holder, Geoenergo, was granted an 18-month concession extension to 25 November 2023 to continue with the planned development of the Petišovci field. Details of the impairment judgments and estimates in the fair value less cost to develop assessment as set out in Note 1, including the significant judgment regarding the ability to renew the concession and obtain required permits. Should the permits not be granted, or the concession extension confirmed, the carrying value of these assets would be impaired as the permits are required to maintain commercial production rates at the wells and in the absence of renewal of the concession the Company would not hold title to the asset.

11. Exploration and evaluation assets – Group

Cost	Slovenia £ '000s	Total £ '000s
At 1 January 2020	18,576	18,576
Additions	-	-
Effects of exchange rate movements	177	177
At 31 December 2020	18,753	18,753
At 1 January 2021	18,753	18,753
Additions	-	-
Effects of exchange rate movements	(290)	(290)
At 31 December 2021	18,463	18,463
At 31 December 2021	18,463	18,463
At 31 December 2020	18,753	18,753
At 1 January 2020	18,576	18,576

For the purposes of impairment testing the intangible oil and gas assets are allocated to the Group's cash-generating unit, which represent the lowest level within the Group at which the intangible oil and gas assets are measured for internal management purposes, which is not higher than the Group's operating segments as reported in Note 2. Details of the impairment judgments and estimates and the fair value less cost to develop assessment as set out in Note 1.

The amounts for intangible exploration assets represent costs incurred on active exploration projects. Amounts capitalised are assessed for impairment indicators under IFRS 6 at each period end as detailed in the Group's accounting policy. In addition, the Group routinely reviews the economic model and reasonably possible sensitivities and considers whether there are indicators of impairment. As at 31 December 2021 and 2020 the net present value significantly exceeded the carrying value of the assets. The key estimates associated with the economic model net present value are detailed in Note 1. The outcome of ongoing exploration, and therefore whether the carrying value of intangible exploration assets will ultimately be recovered, is inherently uncertain and is dependent on the extension of the licence expiry dates, which is scheduled for 25 November 2023. Should the extension not be granted the value of the asset may be impaired.

12. Investment in subsidiaries – Company

	2021 £ '000s	2020 £ '000s
Cost		
At 1 January	16,096	15,443
Additions	6	653
At 31 December	16,102	16,096
Accumulated impairment		
At 1 January	–	–
Impairment	–	–
At 31 December	–	–
Net book value		
At 31 December	16,102	16,096

The Company's subsidiary undertakings at the date of issue of these financial statements, which are all 100% owned, are set out below:

Name of company & registered office address	Principal activity	Country of incorporation	% of share capital held 2021	% of share capital held 2020
Ascent Slovenia Limited Tower Gate Place Tal-Qroqq Street Msida, Malta	Oil and Gas exploration	Malta	100%	100%
Ascent Resources doo Glavna ulica 7 9220 Lendava Slovenia	Oil and Gas exploration	Slovenia	100%	100%
Trameta doo Glavna ulica 7 9220 Lendava Slovenia	Infrastructure owner	Slovenia	100%	100%
Ascent Hispanic Resources UK Limited 5 New Street Square London EC4A 3TW	Oil and Gas exploration	England and Wales	100%	100%
Ascent Hispanic Ventures, S.L. C Lluís Muntadas, 8 08035 Barcelona	Oil and Gas exploration	Spain	100%	N/A – incorporated in 2021

All subsidiary companies are held directly by Ascent Resources plc.

Consideration of the carrying value of investments is carried out alongside the assessments made in respect of the recoverability of carrying value of the group's producing and intangibles assets. The judgements and estimates made therein are the same as for investments and as such no separate disclosure is made.

Notes to the Accounts continued

13. Trade and other receivables – Group

	2021 £ '000s	2020 £ '000s
VAT recoverable	42	49
Prepaid abandonment liability	300	300
Prepayments & accrued income	(34)	–
	308	350
Less non-current portion	(300)	(300)
Current portion	8	66

14. Trade and other receivables – Company

	2021 £ '000s	2020 £ '000s
VAT recoverable	19	21
Prepayments & accrued income	9	47
	28	68

15. Borrowings – Group and Company

Group	2021 £ '000s	2020 £ '000s
Current		
Borrowings	–	–
Convertible loan notes	5	5
Non-current		
Borrowing	536	197
	541	202
Company		
Current		
Borrowings	–	–
Convertible loan notes	5	5
Non-current		
Borrowing	536	197
	541	202

The non-current borrowings relate to the loan arrangement with Riverfort Global Opportunities with a loan note balance at end of 2020 of £270,000, comprising £197,000 recognised as the debt component and a further £73,000 recognised in Equity Reserve. In December 2020 the Company signed a loan agreement provided equally by Align Research Limited and Riverfort Global Opportunities and under this loan agreement, the Company drew down a total of £375,000 in 2021, representing £125,000 from Align and £250,000 from Riverfort. During 2021 the Company repaid £125,000 resulting in a loan balance of £250,000 as of the end of 2021.

In December 2021, the Company extended the maturity of the outstanding loan amount so that it is payable in six equal instalments commencing February 2023.

The current convertible loan was due for redemption on 19 November 2019 and at the balance sheet date £5,625 remain unclaimed.

16. Provisions – Group

	£000s
At 1 January 2020	263
Foreign exchange movement	5
Provision	60
At 31 December 2020	328
At 1 January 2021	328
Foreign exchange movement	(16)
Provision	-
At 31 December 2021	312

The amount provided for decommissioning costs represents the Group's share of site restoration costs for the Petišovci field in Slovenia. The most recent estimate is that the year-end provision will become payable after 2037. During 2017 the Company has placed €300,000 (£268,000) on deposit as collateral against this liability see Note 13.

17. Contingent Consideration due on Acquisition

Group	2021 £ '000s	2020 £ '000s
Non-current		
Ascent Hispanic Limited (formerly Energetical Limited)	450	450
	450	450

The contingent consideration is based on the defined contingent consideration in the acquisition of Ascent Hispanic Limited (Formerly Energetical Limited), comprising £100,000.00 in cash and a further £350,000.00 in shares. The Company has not discounted the contingent consideration since the impact would not be material. Please refer to note 9 of the financial statements for the consideration in the acquisition of Ascent Hispanic Limited.

18. Trade and other payables – Group

	2021 £ '000s	2020 £ '000s
Trade payables	581	573
Tax and social security payable	16	56
Accruals and deferred income	174	66
	771	695

19. Trade and other payables – Company

	2021 £ '000s	2020 £ '000s
Trade payables	309	295
Tax and social security payable	10	56
Accruals and deferred income	174	66
	493	417

Notes to the Accounts continued

20. Called up share capital

	2021 £ '000s	2020 £ '000s
Authorised		
2,000,000,000 ordinary shares of 0.5p each	10,000	10,000
Allotted, called up and fully paid		
3,019,648,452 deferred shares of 0.195p each	5,888	5,888
1,737,110,763 deferred shares of 0.09p each	1,563	1,563
109,376,804 ordinary shares of 0.5p each	547	477
	7,998	7,604
Reconciliation of share capital movement	2021 Number	2020 Number
At 1 January	95,283,281	3,019,648,452
Share consolidation	-	(2,989,451,968)
Issue of Trameta consideration shares	-	91,167
Issue of shares during the year	14,093,523	64,995,630
At 31 December	109,376,804	95,283,281

The deferred shares have no voting rights and are not eligible for dividends.

Shares issued during the year

- On 6 January 2021, the Company issued 208,991 ordinary shares at a price of 5.74p to a professional advisor in lieu of fees.
- On 11 January 2021, the Company received £62,500 in respect to a warrants exercise over 833,333 new ordinary shares. Additionally, the Company issued 66,667 new shares at 7.5p in lieu of the 8% cash coupon.
- On 12 January 2021, the Company received £55,000 in respect to a warrants exercise over 1,000,000 new ordinary shares.
- On 2 February 2021, the Company received £7,500 in respect to a warrants exercise over 187,500 new ordinary shares.
- On 4 February 2021, the Company received £62,500 in respect to a warrants exercise over 833,333 new ordinary shares. Additionally, the Company issued 66,667 new shares at 7.5p in lieu of the 8% cash coupon.
- On 5 February 2021, received £62,500 in respect to a warrants exercise over 900,000 new ordinary shares.
- On 11 February 2021, the Company raised £1m via a placing of 9,997,032 ordinary shares with investors.

Shares issued during the prior year

Issuance of equity during the prior year:

- On 13 March 2020, the Company raised £485,000 (£445,802 net of costs) via the Placing of 9,700,000 Ordinary shares with investors
- On 24 March 2020, the Company issued 166,666 shares at a price of 5p to exiting directors in lieu of a cash settlement and a further 390,000 shares at a price of 5p each per share and 214,286 shares at a price of 3.5p each to select professional advisors.
- On 8 April 2020, the Company issued 1,000,000 ordinary shares at a placing price of 5p per share in order to settle

an amount of £50,000 with a relevant investor

- On 8 April 2002, the Company issued 91,167 ordinary shares as a result of the acquisition of Trameta doo announced on 1 August 2015. This was the final payment and no further contingent consideration of shares will be due.
- On 14 April 2020, the Company agreed to purchase Energetical Limited for the issuance of 6,000,000 new ordinary shares
- On 20 April 2020, the Company issued 623,777 new ordinary shares of 0.5p at a price of 3.5p to a professional advisor in lieu of fees.
- On 30 April 2020, the Company issued 7,727,272 new ordinary shares of 0.5p at a price of 2.75p, raising gross proceeds of £212,500.
- On 4 May 2020, the Company issued 750,000 ordinary shares at a placing price of 5p per share in order to settle an amount outstanding in the amount of £37,500
- On 7 May 2020, the Company issued 2,250,000 ordinary shares at a placing price of 5p per share relating to a settlement of remaining sums from a relevant investor.
- On 6 August 2020 the Company raised £300,000 via the placing of 15,000,000 Ordinary shares with investors
- On 6 August 2020 the Company issued 1,500,000 ordinary shares at a placing price of 2p per share relating to the settle amounts with creditors.
- On 15 October 2020 the Company issued 525,090 ordinary shares in lieu of payment of consultancy fees at a price of 4p per share.
- On 23 October 2020 the Company received £50,000 in respect of a warrants exercise of 2,000,000 ordinary shares.
- On 26 October 2020 the Company received notice of the exercise of warrants of 4,000,000 ordinary shares for consideration of £100,000 and agreed to issue 320,00 ordinary shares at a price of 2.5p per share in lieu of the 8% cash coupon on the convertible loan amount.
- On 5 November 2020 the Company issued 457,720 ordinary shares to a supplier for financial and economic modelling services rendered in the months of September and October.
- On 19 November 2020 the Company received notice in respect of warrants exercised in the amount of 1,250,00 ordinary shares
- On 1 December 2020 the Company received notice of the exercise of warrants of 4,000,000 ordinary shares for consideration of £100,000 and agreed to issue 320,00 ordinary shares at a price of 2.5p per share in lieu of the 8% cash coupon on the convertible loan amount
- On 1 December 2020 the Company issued 480,000 ordinary shares at a price of 7.5p per share in respect of a supplier invoice

Reserve description and purpose

The following describes the nature and purpose of each reserve within owners' equity:

- Share capital: Amount subscribed for share capital at nominal value.
- Merger reserve: Value of shares, in excess of nominal value, issued with respect of the Trameta acquisition in 2016.
- Equity reserve: Amount of proceeds on issue of convertible debt relating to the equity component and contribution on modification of the convertible loan notes, i.e. option to convert the debt into share capital.
- Share premium: Amounts subscribed for share capital in excess of nominal value less costs of shares associated with share issues.
- Share-based payment reserve: Value of share options granted and calculated with reference to a binomial pricing model. When options lapse or are exercised, amounts are transferred from this account to retained earnings.
- Translation reserve: Exchange movements arising on the retranslation of net assets of operation into the presentation currency.
- Accumulated losses: Cumulative net gains and losses recognised in consolidated income.

Notes to the Accounts continued

21. Exploration expenditure commitments

In order to maintain an interest in the oil and gas permits in which the Group is involved, the Group is committed to meet the conditions under which the permits were granted and the obligations of any joint operating agreements. The timing and the amount of exploration expenditure commitments and obligations of the Group are subject to the work programmes required as per the permit commitments. This may vary significantly from the forecast programmes based upon the results of the work performed. Drilling results in any of the projects may also cause variations to the forecast programmes and consequent expenditure. Such activity may lead to accelerated or decreased expenditure. It is the Group's policy to seek joint operating partners at an early stage to reduce its commitments.

At 31 December 2021, the Group had exploration and expenditure commitments of £ Nil (2020 – Nil).

22. Related party transactions

a) Group companies – transactions

	Cash	2021 Services	Total	Cash	2020 Services	Total
Ascent Slovenia Limited	17	–	17	267	–	267
Ascent Resources doo	–	–	–	–	–	–
Trameta doo	–	–	–	–	–	–
Ascent Hispanic Ventures	56	–	56	–	–	–
	73	–	73	267	–	267

b) Group companies – balances

	Cash	2021 Services	Total	Cash	2020 Services	Total
Ascent Slovenia Limited	17,368	5,404	22,772	17,351	5,404	22,755
Ascent Resources doo	2,951	1,730	4,681	2,951	1,730	4,681
Trameta doo	11	–	11	11	–	11
Ascent Hispanic Ventures	56	–	56	–	–	–
	20,386	7,134	27,520	20,313	7,134	27,447

Cash refers to funds advanced by the Company to subsidiaries. Services relates to services provided by the Company to subsidiaries. The loans are repayable on demand but are classified as non-current reflecting the period of expected ultimate recovery.

Following the introduction of IFRS 9 Management have carried out an assessment of the potential future credit loss the loans classified as 'stage 3' under IFRS 9 and assessed for lifetime expected credit loss given their on-demand nature under a number of scenarios. The Company would suffer a credit loss where the permits necessary for the development of the field are not obtained and a court case for damages against the Republic of Slovenia is unsuccessful. Based on legal advice received in relation to the permit process and the strength of our case we consider the risk of credit loss to be relatively remote, however a provision of £4.8 million has been recognised in the accounts against potential future credit loss.

22. Related party transactions continued

	2021 £ '000s	2020 £ '000s
Expected credit loss provision start of the year	4,800	4,800
Change in expected credit loss	–	–
Expected credit loss provision at the end of year	4,800	4,800

c) Directors

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the Group. In the opinion of the Board, the Group's key management are the Directors of Ascent Resources plc. Information regarding their compensation is given in Note 4.

2021

There were no transactions involving directors during the year.

2020

There were no transactions involving directors during the year.

23. Events subsequent to the reporting period

On 18 January 2022 the Company raised £0.6m before expense for the placing of 18,181,818 ordinary shares of 0.5p each at a price of 3.3p per share.

On 3 February 2022 the Company issued a total of 1,636,363 ordinary shares at an issue price of 3.3p with 303,030 issued to a consultant in lieu of cash, 242,424 issued to staff and 1,090,909 issued to Align Research for research services to be provided over the next year.

On 22 February 2022 Ewen Ainsworth stepped down from his position of Non-executive Director effective from 28 February following his acceptance of a full-time executive position elsewhere.

In March 2022, the Company announced in March 2022 that it had now elected to invoice for its share of production revenues for the months of April 2020 through to February 2022.

On 14 April 2022 the Company received a warrant exercise notice of 6,062,500 new ordinary shares for consideration of £242,500.

In April 2022, Slovenia approved amendments to its Mining Law which prohibit the use of mechanical stimulation for the purpose of exploring or producing hydrocarbons. Furthermore, the amendments confirm that it is now no longer possible to get a concession contract approved if it contemplates the use of mechanical stimulation for the purpose of producing hydrocarbons.

Notes to the Accounts continued

24. Share based payments

The Company has provided the Directors, certain employees and institutional investors with share options and warrants ('options'). Options are exercisable at a price equal to the closing market price of the Company's shares on the date of grant. The exercisable period varies and can be up to seven years once fully vested after which time the option lapses.

Details of the share options outstanding during the year are as follows:

	Shares	Weighted Average price (pence)
Outstanding at 1 January 2020	152,576,254	2.46
Outstanding at 31 December 2020	7,348,142	253.72
Exercisable at 31 December 2020	1,450,763	248.72
Outstanding at 1 January 2021	7,348,142	253.72
Granted during the year	–	–
Expired during the year	–	–
Outstanding at 31 December 2021	7,348,142	253.72
Exercisable at 31 December 2021	1,450,763	248.72

The value of the options is measured by the use of a Black Scholes Model. The inputs into the Black Scholes Model made in 2020 were as follows.

Share price at grant date	2.9p – 7.78p
Exercise price	5.0p – 2000p
Volatility	50%
Expected life	3–5 years
Risk free rate	0.5%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 5 years. The expected life is the expiry period of the options from the date of issue.

Options outstanding at 31 December 2021 have an exercise price in the range of 2.9p and 7.78p (31 December 2020: 2.9p and 7.78p) and a weighted average contractual life of 4.5 years (31 December 2020: 5.5 years). The amount recognised in the income statement for the year ended 31 December 2021 was nil (2020: £456,000).

Details of the warrants issued in the year are as follows:

Issued	Exercisable from	Expiry date	Number outstanding	Exercise price
23 December 2021	Anytime until	23 December 2023	3,600,000	7.50p

24. Share based payments continued

	Warrants	Weighted Average price (pence)
Outstanding at 1 January 2021	22,068,420	5.44
Granted during the year	3,600,000	7.50
Exercised during the year	(3,754,166)	6.80
Outstanding at 31 December 2021	21,914,254	6.80
Exercisable at 31 December 2021	21,914,254	6.80

The warrants outstanding at the period end have a weighted average remaining contractual life of 1.8 years. The exercise prices of the warrants are between 4.00 – 7.50p per share.

25. Notes supporting the statement of cash flows

Group	2021 £ '000s	2020 £ '000s
Cash at bank and available on demand	97	115
Cash held on deposit against bank guarantee	–	–
	97	115

Company	2021 £ '000s	2020 £ '000s
Cash at bank and available on demand	88	107
Cash held on deposit against bank guarantee	–	–
	88	107

Significant non-cash transactions are as follows:

	2021 £ '000s	2020 £ '000s
Conversion of loan notes	–	–
Interest charged on loans	–	–
Accretion charge on convertible loan notes	–	–

Notes to the Accounts continued

26. Financial risk management

Group and Company

The Group's financial liabilities comprise CLNs, borrowings and trade payables. All liabilities are measured at amortised cost. These are detailed in Notes 15 and 18.

The Group has various financial assets, being trade receivables and cash, which arise directly from its operations. All are classified at amortised cost. These are detailed in Notes 13, 14 and 25.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk (including interest risk and currency risk). The risk management policies employed by the Group to manage these risks are discussed below:

Credit risk

Credit risk is the risk of an unexpected loss if a counter party to a financial instrument fails to meet its commercial obligations. The Group's maximum credit risk exposure is limited to the carrying amount of cash of £97,000 and trade and other receivables of £42,000. Credit risk is managed on a Group basis. Funds are deposited with financial institutions with a credit rating equivalent to, or above, the main UK clearing banks. The Company's liquid resources are invested having regard to the timing of payment to be made in the ordinary course of the Group's activities. All financial liabilities are payable in the short term (between 0 to 3 months) and the Group maintains adequate bank balances to meet those liabilities.

The Group makes allowances for impairment of receivables where there is an ECL identified. Refer to Note 22 for details of the intercompany loan ECL assessment.

The credit risk on cash is considered to be limited because the counterparties are financial institutions with high and good credit ratings assigned by international credit rating agencies in the UK.

The carrying amount of financial assets, trade receivables and cash held with financial institutions recorded in the financial statements represents the exposure to credit risk for the Group.

At Company level, there is the risk of impairment of inter-company receivables if the full amount is not deemed as recoverable from the relevant subsidiary company. These amounts are written down when their deemed recoverable amount is deemed less than the current carrying value. An IFRS 9 assessment has been carried out as per Note 1.

Market risk

i) Currency risk

Currency risk refers to the risk that fluctuations in foreign currencies cause losses to the Company.

The Group's operations are predominantly in Slovenia. Foreign exchange risk arises from translating the euro earnings, assets and liabilities of the Ascent Resources doo and Ascent Slovenia Limited into sterling. The Group manages exposures that arise from receipt of monies in a non-functional currency by matching receipts and payments in the same currency.

The Company often raises funds for future development through the issue of new shares in sterling. These funds are predominantly to pay for the Company's exploration costs abroad in euros. As such any sterling balances held are at risk of currency fluctuations and may prove to be insufficient to meet the Company's planned euro requirements if there is devaluation.

The Group's and Company's exposure to foreign currency risk at the end of the reporting period is summarised below. All amounts are presented in GBP equivalent.

	Group		Company	
	2021	2020	2021	2020
Trade and other receivables	-	-	-	-
Cash and cash equivalents	9	8	7	-
Trade and other payables	(277)	(279)	2	-
Net Exposure	(268)	(271)	9	-

26. Financial risk management continued

Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of the European Union (the euro).

The Group operates internationally and is exposed to currency risk on sales, purchases, borrowings and cash and cash equivalents that are denominated in a currency other than sterling. The currencies giving rise to this are the euro.

Foreign exchange risk arises from transactions and recognised assets and liabilities.

The Group does not use foreign exchange contracts to hedge its currency risk.

Sensitivity analysis

The following table details the Group's sensitivity to a 10% increase and decrease in sterling against the stated currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis comprises cash and cash equivalents held at the balance sheet date. A positive number below indicates an increase in profit and other equity where sterling weakens 10% against the relevant currency.

Group	Euro currency change	
	Year ended 31 December 2021	Year ended 31 December 2020
Profit or loss		
10% strengthening of sterling	40	135
10% weakening of sterling	(48)	(9)
Equity		
10% strengthening of sterling	(3,598)	(3,839)
10% weakening of sterling	4,398	4,693
Company		
Profit or loss		
10% strengthening of sterling	—	—
10% weakening of sterling	—	—
Equity		
10% strengthening of sterling	(3,045)	(4,070)
10% weakening of sterling	3,722	4,832

ii) Interest rate risk

Interest rate risk refers to the risk that fluctuations in interest rates cause losses to the Company. The Group and Company have no exposure to interest rate risk except on cash and cash equivalent which carry variable interest rates. The Group carries low units of cash and cash equivalents and the Group and Companies monitor the variable interest risk accordingly.

At 31 December 2021, the Group and Company has GBP loans valued at £536,000 rates of 8% per annum. At 31 December 2020, the Group and Company had GBP loans valued at £270,000 rates of 8% per annum.

Notes to the Accounts continued

26. Financial risk management continued

iii) Liquidity risk

Liquidity risk refers to the risk that the Company has insufficient cash resources to meet working capital requirements. The Group and Company manages its liquidity requirements by using both short- and long-term cash flow projections and raises funds through debt or equity placings as required. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements.

The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced, and sensitivities run for different scenarios (see Note 1). For further details on the Group's liquidity position, please refer to the Going Concern paragraph in Note 1 of these accounts.

	Group		Company	
	2021 £ '000s	2020 £ '000s	2021 £ '000s	2020 £ '000s
Categorisation of Borrowings - Group				
Less than six months – loans and borrowings	–	–	–	–
Less than six months – trade and other payables	–	–	–	–
Between six months and a year	–	–	–	–
Over one year	536	197	536	197

Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the balance between debt and equity. The capital structure of the Group as at 31 December 2021 consisted of equity attributable to the equity holders of the Company, totalling £41,069. The Group reviews the capital structure on an on-going basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through new share issues and the issue of new debt or the repayment of existing debt.

There are no externally imposed capital requirements.

Fair value of financial instruments

Set in the foregoing is a comparison of carrying amounts and fair values of the Group's and the Company's financial instruments:

	Carrying amount Year ended 31 December 2021	Fair Value Year ended 31 December 2021	Carrying amount Year ended 31 December 2020	Fair Value Year ended 31 December 2020
Categorisation of Financial Assets and Liabilities - Group				
Financial assets				
Cash and equivalents – unrestricted	97	97	115	115
Cash and equivalents – restricted	–	–	–	–
Trade receivables	8	8	66	66
Prepaid abandonment fund (refundable)	300	300	240	240
Financial liabilities				
Trade and other payables	771	771	695	695
Loans at fixed rate	536	536	197	197

26. Financial risk management continued

	Carrying amount Year ended 31 December 2021	Fair Value Year ended 31 December 2021	Carrying amount Year ended 31 December 2020	Fair Value Year ended 31 December 2020
Capital management - Company				
Financial assets				
Cash and equivalents – unrestricted	88	88	107	107
Trade receivables	28	28	68	68
Financial liabilities				
Trade and other payables	493	493	417	417
Loans at fixed rate	536	536	197	197

Convertible loan at fixed rate

Fair value of convertible loans has been determined based on tier 3 measurement techniques. The fair value is estimated at the present value of future cash flows, discounted at estimated market rates. Fair value is not significantly different from carrying value.

Trade and other receivables/payables and inter-company receivables

All trade and other receivables and payables have a remaining life of less than one year. The ageing profile of the Group and Company receivable and payables are shown in Notes 13, 14, 14, 18 and 19.

Cash and cash equivalents

Cash and cash equivalents are all readily available and therefore carrying value represents a close approximation to fair value.

27. Commitments & contingencies

As at 31 December 2021, the Company recognises £450,000 in contingent consideration relating to the acquisition of Energetical Limited (renamed to Ascent Hispanic Resources UK Limited).

On 10 March 2021, the Company announced that its JV Service Provider, Petro Geo, issued a local enforcement order attempting to claim payment for an unsubstantiated amount of €662,288.63 plus interest of €12,103.19.

Decommissioning costs for the Petišovci Project are estimated to be €9m, consisting of €0.5m for each of the 16 proposed wells plus an additional €1m for pipes and related infrastructure. Decommissioning costs become payable at the end of a wells operational life and a provision for decommissioning costs is made only when a well is put into production. The estimate for pipes and infrastructure is based on all wells being put into operation. With the change in the Slovenian mining law in April 2022 creating a ban on mechanical stimulation, further development of the concession is uncertain as is the development of additional wells. A provision of £312,000 (Note 16) has been made for the decommissioning of the PG10 and PG11A wells that are currently in production and represents the Group's share of the restoration costs for the Petišovci field.

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